FOREIGN BROADCAST INFORMATION SERVICE

Daily Report

Latin America

ATTENTION!! ATTENTION!! ATTENTION!!

FBIS will phase out publication of most of its paper reports, including ALL Daily Reports and most FBIS Reports, by 31 December 1996.

See inside for information on how to access FBIS products and services electronically.

FBIS-LAT-96-089
Tuesday
7 May 1996

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

May 1996

Dear Customer:

Responding to our many customers' requests, NTIS is offering FBIS publications electronically. Due to resource limitations, hardcopy production of FBIS publications will be phased out during 1996. Hardcopy reports will be discontinued according to the following schedule:

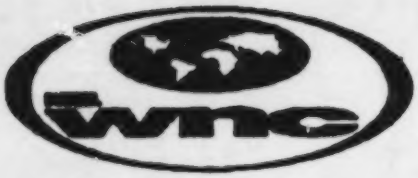
1 April	*Arms Control and Proliferation Issues*
1 May	*Environment and World Health*
1 June	*Narcotics*
1 July	*Terrorism*

Hardcopy publication of the regional DAILY REPORTS will cease as follows:

1 August	*China, Latin America*
19 August	*Near East and South Asia, West Europe, Sub-Saharan Africa, West Europe Economic Review*
2 September	*East Asia, East Europe, East Europe Economic Review*
16 September	*Central Eurasia, Central Eurasia Military Affairs, Central Eurasia Economic Review*

FBIS' goal is to cease publication of all hardcopy reports by 31 December 1996 except for S&T PERSPECTIVES, S&T CENTRAL EURASIA, S&T CHINA, S&T KOREA, S&T EUROPE, and S&T JAPAN. The S&T reports will continue to be published as hardcopy until the graphics they contain can be disseminated on-line.

FBIS products are offered electronically through the National Technical Information Service's (NTIS) "World News Connection" (WNC). This is a new on-line subscription service accessible through the World Wide Web. The Web address is http://wnc.fedworld.gov. Please see the next page for a subscription form or call NTIS Fax Direct at 703-487-4140 and enter product code 8645 to receive more information.



World News Connection™

A Foreign News Alert Service from the U.S. Government

World News Connection - WNC1.....$ 21
7 Day - Introductory Offer
Unlimited interactive searching
[no profiles]
Order number SUB-9856BDQ

World News Connection - WNC2.....$ 50
Monthly
Unlimited interactive searching
[no profiles]
Order number PB95-985700BDQ

World News Connection - WNC3.....$ 75
Monthly
Unlimited interactive searching
[1 profile]
Order number PB95-985800BDQ

World News Connection - WNC4.....$100
Monthly
Unlimited interactive searching
[up to 5 profiles]
Order number PB95-985900BDQ
(Prices are subject to change)

User Name *(Please Print or Type)*	Internet E-mail Address *(Required)*	Order Number	Price
1) _____	_____	_____	_____
2) _____	_____	_____	_____

(Continue on a blank sheet if more space is required)

Deposit Account Number (for NTIS account customers only): _____

Customer Master Number (if known): _____ Date: _____

Contact Name: _____ Organization: _____

Street Address: _____ City: _____ State: _____ Zip: _____

Province/Territory: _____ Country: _____

Foreign Postal Code: _____

Internet E-mail Address (Organization contact person): _____

Telephone Number: ( ) _____ Fax Number: ( ) _____

Credit Card Number: _____

Credit Card Expiration Date: _____

Card Type (Visa, Master Card, or American Express): _____

Cardholder's Name (as printed on the credit card): _____

Cardholder's Signature (required to validate all orders): _____

(Please fax this form back to NTIS at **703-321-8547**. Fax service is available 24 hours a day, 7 days a week.
To verify receipt of your fax, call (703) 487-4679 between 7:00am - 5:00pm, Monday - Friday, Eastern Time.)

Daily Report
Latin America

FBIS-LAT-96-089 *7 May 1996*

CONTENTS

CARIBBEAN

Cuba

Cuba: Alarcon Denounces U.S. Attacks on Revolution *[PRENSA LATINA]* 1
Cuba: Weekly Flights From Haiti Begin 3 May *[Havana Radio]* 1
Cuba: SRV Trade Union Delegation Attends Conference *[Hanoi VNA]* 2
Cuba: Iranian Envoy Delivers Message to Benigno Perez *[Tehran IRNA]* 2
Cuba: Minister Examines Crop Deficiencies on Isle of Youth *[Havana Radio]* 2
Cuba: Chain of Friendship Stores Opens *[Havana Radio]* 2
Cuba: New Highway Toll Station Inaugurated *[Havana Radio]* 3
Cuba: JUVENTUD REBELDE Warns of Rise in Pimp Activity *[NOTIMEX]* 3
Cuba: Roundup of Sugarcane Developments Through 6 May *[Havana Radio, etc.]* 3

Haiti

Haiti: Aristide, Former Officials To Present Assets Report *[Port-au-Prince Radio]* 5
Haiti: Preval Describes 1 May Demonstration as 'Failure' *[Port-au-Prince Radio]* 6
Haiti: Preval on Privatization, Lavalas Camp Divisions *[Port-au-Prince Radio]* 6
Haiti: Preval Warns Employees Not Conforming To DGI Laws *[Port-au-Prince Radio]* 7
Haiti: Agreement With IDB Rejected; Senator Remarks *[Port-au-Prince Radio]* 8
Haiti: Ex-President Aristide Discloses Assets 24 Apr *[LE NOUVELLISTE 2 May]* 8
Haiti: Smarth on Regional Cooperation, Reforms *[NOTIMEX]* 8
Haiti: Ex-General Avril Denies Taking Asylum in Israel *[Port-au-Prince Radio]* 9
Haiti: 1 May Anti-Privatization Demonstration Reported *[Port-au-Prince Radio]* 10
Haiti: Policeman Killed; Disarmament Campaign Announced *[Port-au-Prince Radio]* 10

MEXICO

Mexico: Report Views Mexico's Trade Problems With U.S. *[EL FINANCIERO 3 May]* 12
Mexico: Foreign Secretary at Commission Meeting With U.S. *[Mexico City Radio]* 13
Mexico: Official Views U.S.-Mexico Binational Meeting *[NOTIMEX]* 14
Mexico: Armed Group Attacks Peasants in Chiapas State *[LA JORNADA 6 May]* 15
Mexico: Roundup of Economic Developments Through 6 May *[Mexico City TV, etc.]* 15

CENTRAL AMERICA

Guatemala

Guatemala: Economic, Agrarian Accord Signed With URNG *[Guatemala City TV]* 18

SOUTH AMERICA

Argentina

Argentina: Arms Sales Under Alfonsin, Menem Discussed *[CLARIN 2 May]* 19

Bolivia

Bolivia: News Summaries for 2 May *[Social Communications Ministry WWW]* 20

Brazil

Brazil: Malan on Combating Inflation, Bank Crises *[O ESTADO DE SAO PAULO 21 Apr]* 22

Cuba

Cuba: Alarcon Denounces U.S. Attacks on Revolution

PA0605230396 Havana PRENSA LATINA in Spanish 2147 GMT 4 May 96

[FBIS Translated Text] Santiago de Chile, 4 May (PL) — Today, Ricardo Alarcon, president of the National Assembly of the People's Government [ANPP], denounced the intensification of U.S. hostility toward the island via the criminal Helms-Burton law, "inconceivably signed by President Clinton."

Conveying his greetings to the 25th Congress of the Chilean Socialist Party, the member of the Politburo of the Communist Party of Cuba pointed out that his country is going through one of the most trying periods in its history due to the sudden changes that have occurred in the world over the past few years and the renewed hostility of the only superpower left today.

He added that if those events had any favorable outcome at all, it was that they helped reinforce our socialist conviction and a society based on solidarity that believes in human progress. This explains how Cubans have been able to survive and begin our recovery.

Alarcon expressed his belief that after a steep plunge, last year's achievement of a modest 2.5-percent growth, and the expectations of doubling that figure this year, Cuba has taken a major step along the path of economic recovery.

Alarcon indicated that when it seemed that the U.S. pressure to annihilate the Cuban revolution had gone as far as it could, the Helms-Burton law, which disregards the rights and sovereignty of all countries, emerged to hinder the growth of investments in Cuba.

Despite everything, and regardless of what anybody says, Cuba is overcoming this difficult situation and it has not closed one single school, hospital, or disenfranchised one single citizen.

Alarcon added that this law sends a clear message to the Cubans that there will not be an agreement with our neighbors as long as we do not resign all our victories in the 37 years of the revolution and surrender ourselves hog-tied to the Miami-based mafia of thieves, torturers, and assassins — an instrument of U.S. annexationist interests.

He said: I can assure you that they will never destroy the Cuban revolution because the U.S. right-wing radicals will not find many Cubans on the island who are willing to accept the neo-liberal formulas and copy the current U.S. institutional system.

The ANPP president refuted the massive campaign launched by the United States to portray the incident of the small planes as a violent and irrational action by Cuba against unarmed "civilian small planes" in international waters.

Alarcon noted that neither did the incident occur in international waters nor were the planes innocent doves overflying the Caribbean sea, as demonstrated by all the subsequent events and the debris found in Cuban waters.

Cuba: Weekly Flights From Haiti Begin 3 May

PA0605202896 Havana Radio Havana Cuba in Spanish 0000 GMT 3 May 96

[Report by Isis Maria Allen; from the "Evening Information Review" newscast]

[FBIS Translated Text] Flights between Cuba and Haiti will begin this Friday [3 May], in an operation that involves the Cuban Aerocaribbean airline company, the Haitian travel agency Citadel, and Habanatur, the international group of tour operators and travel agencies. Carlos Amat, the latter's commercial manager for multiple destinations, has the details:

[Begin Amat recording] We are going to begin an operation promoted by the Haitian travel agency Citadel, whose president is [words indistinct] are chartering an airplane from Aerocaribbean that will make weekly flights on Friday and Sunday. We seek to make these flights regular and to send passengers in both directions, meaning, passengers coming from Haiti going to Santiago de Cuba, where the operation will be based, and passengers coming from Cuba going to Port-au-Prince.

We offer these travelers a connecting flight between Santiago de Cuba and Havana, since we have made that flight coincide with another that comes from Montego Bay and makes a stopover in Santiago de Cuba before continuing to Havana.

Passengers coming from Haiti [words indistinct] Varadero by road also [words indistinct] all the things worth seeing, taking Havana as the center. [end recording]

Tourism authorities, journalists, travel agents, and other Haitian personalities will arrive on the first flight from Haiti to Santiago de Cuba.

[Begin Amat recording] We have prepared a program so that on a weekend, which is so short a time, these people can get the best idea possible of Santiago de Cuba and Cuba through that city — for those who do not know Cuba. I think that many of these people know other regions of the country but want to learn about Santiago de Cuba.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

I also think this city provides a good sample of what our country is all about. [end recording]

The connecting flight between Cuba and Haiti will open new possibilities for developing multiple destinations in the Caribbean.

Cuba: SRV Trade Union Delegation Attends Conference

BK0605071596 Hanoi VNA in English 0659 GMT 6 May 96

[FBIS Transcribed Text] Hanoi VNA May 6 — A delegation of the Vietnam General Confederation of Labour (VGCL) led by its Vice President Nguyen An Luong took part from April 28 to May 2 in the conference of the Cuban trade unions.

Mr Nguyen An Luong was invited to be seated at the presidium of the conference and greeted the conference and expressed the Vietnamese people's strong and profound solidarity with the Cuban fraternal people. He also handed over thousands of garments as a gift from Vietnam to the Cuban people.

President Fidel Castro Ruz and General Secretary Pedro Ross Leal of the Cuban trade union expressed their warm thanks to the Vietnamese people for their sentiment towards the Cuban people.

On May 2, the VGCL delegation took part in an international solidarity get-together which was held with the participation of 50 trade union delegations from various countries.

Cuba: Iranian Envoy Delivers Message to Benigno Perez

LD0705100796 Tehran IRNA in English 0811 GMT 7 May 96

[FBIS Transcribed Text] Tehran, May 7, IRNA — Iran's Ambassador to Cuba Masud Edrisi submitted a written message from Iranian Foreign Minister 'Ali Akbar Velayati to Cuban Deputy Foreign Minister Benigno Perez.

The message has voiced support for the struggles of Cuban people, condemned intensification of the economic sanctions against Cuba by the U.S. and calls such measures adopted by the U.S. against the world's independent countries as "failure."

Perez called Iran's message of solidarity as well as cooperation among the "friend and revolutionary states" for defusing plots hatched by the arrogant U.S. as "very effective". He added that Cuban people would not surrender to such illegitimate wills of the U.S. and would continue their struggle against the U.S. expansionist desires.

Cuba: Minister Examines Crop Deficiencies on Isle of Youth

PA0705043296 Havana Radio Rebelde Network in Spanish 1700 GMT 3 May 96

[FBIS Translated Text] Agriculture Minister Alfredo Jordan stated, while examining unjustified deficiencies in the production of tubers and vegetables, that agriculture on the Isle of Youth must make a 180 degree turn. During a visit to the Isle of Youth, Jordan, a member of the politburo, stressed that everything done in agriculture must find an expression in higher yields, in other words, in food for the people. Jordan also criticized the deficiency in production of tubers and vegetables, and soil preparation, which does not justify the deficiency given the ample resources Cuba has invested to develop the sector on the Isle of Youth. Jordan cited as an example, the modern irrigation systems installed in the Isle of Youth fields.

Yesterday, Jordan met with cattle ranchers, miscellaneous crops farmers, and machinery workers and praised the efforts and results being attained in the roundup of animals loose on citrus plantations and other fields in response to remarks made time and time again by Army General Raul Castro, as well as the rebirth of the agrarian machinery recovery program, which is bound to attain significant results.

Cuba: Chain of Friendship Stores Opens

PA0705040996 Havana Radio Rebelde Network in Spanish 1700 GMT 3 May 96

[FBIS Translated Text] A new commercial formula is growing in Havana in the form of the Friendship chain of stores created by Havana's Commerce Department in coordination with the Commerce Ministry and other suppliers. Commercial entities such as Flogar, Atelier, and others on the main streets of the city, which were in deplorable condition and bankrupt, have experienced a rebirth thanks to the financial concept of self-financing in terms of operations and lots of self-help in term of physical facilities. Cubalse and other commercial entities connected to foreign tourism are participating extensively with diverse first-rate products and unused second-hand items to supply the Friendship stores with differentiated prices in national currency for products such as clothing, accessories, perfumes, and shoes, together with warehouse items and even baby products, in an effort to meet the most demanding tastes and fulfilling three goals: Meeting the population's needs, supporting rational and profitable sources of employment, and revitalizing city in urban and commercial terms.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Cuba: New Highway Toll Station Inaugurated

PA0705041196 Havana Radio Rebelde Network in Spanish 1700 GMT 3 May 96

[FBIS Translated Text] Today's inauguration of the first highway toll station in Varadero will bring in annual revenues of $1 million and up to 3 million pesos. Cuba seeks to create a monetary fund to improve roads and highway safety measures. The toll between Varadero and Cayo Coco is two pesos for cars and motorcycles, and four pesos for two-axle trucks. Interior Ministry or Revolutionary Armed Forces Ministry vehicles, white-tag vehicles, ambulances, and hearses are exempt. The toll station is located on kilometer 24 of the Varadero Highway and the booths on the three lanes take payment in hard currency, national currency, and toll-cards.

Cuba: JUVENTUD REBELDE Warns of Rise in Pimp Activity

PA0605214696 Mexico City NOTIMEX in Spanish 2100 GMT 5 May 96

[FBIS Translated Text] Havana, 5 May (NOTIMEX) — Today, the weekly JUVENTUD REBELDE warned that activities by pimps (go-betweens) in Cuba might reach "unmanageable levels of corruption and economic power," unless they are firmly repressed.

The publication, a mouthpiece of the Union of Young Communists (UJC), published an extensive report in its Sunday issue on the cases of people who work as go-betweens in the sex trade.

According to the report, which is part of a series on prostitution in Cuba, the current prototype of a pimp in Cuba is a bellhop, doorman, or elevator man at a hotel, a cabdriver, a tour guide, or a dancer.

JUVENTUD REBELDE stressed that "a full-blown variety of common thieves, inhabitants of a criminal underworld, which show certain signs of organization, have emerged in Cuba" working in this activity .

"If this activity is not restrained strongly enough to dissuade other potential crooks, it might reach unmanageable levels of corruption and economic power," the weekly indicated.

JUVENTUD REBELDE illustrated its remarks with a statement from a pimp, who was seemingly arrested and is "awaiting a penalty, which will be, undoubtedly, very severe."

This series of reports on prostitution begun by this publication last month takes place simultaneously with an increasing criticism of this phenomenon by the authorities, who have vowed to counter it.

During the 17th Congress of the Cuban Workers Federation (CTC) held last week, President Fidel Castro said that the country should exploit tourism to the utmost, but demanded that this must be done "within a framework of decency."

Cuba: Roundup of Sugarcane Developments Through 6 May

PA0605204996

[FBIS Report] The following is a compilation of reports on sugarcane and sugar industry developments in Cuba monitored through 6 May.

The Antonio Maceo Sugarmill has proven that it is the most stable, production-wise, in Holguin Province. After 140 days of harvest it has already produced 11,000 more metric tons than the previous year using 1 million arrobas less sugarcane this time. This province will reach 400,000 metric tons in "the next few hours" in its quest for the 500,000-metric ton mark, which was pledged for this year. The Antonio Maceo Sugarmill will "not stop" until it reaches 70,000 metric tons and afterward, all its manpower will join other sugar mills, especially in the northern zone, until the province's goal is reached. (Havana Radio Rebelde Network in Spanish 1155 GMT 22 Apr 96)

Rusia Municipality in Cienfuegos Province became the first to complete its sugar production plan when its two sugar mills, the Marta Abreu and the Mal Tiempo, reached their goals. The province has achieved 82.5 percent of the goal, with 51,000 more metric tons to go. Compared to the previous harvest the province's production has increased 25 percent, with more than 50,000 metric tons. The goal is to increase this harvest by up to 52 percent. The goal will be achieved this afternoon by the Espartaco Sugar Mill in Palmira Municipality to be followed by the Guillermo Moncada de Abreu and the Antonio Sanchez Moncada. (Havana Radio Rebelde Network in Spanish 1700 GMT 22 Apr 96)

The Mal Tiempo Sugar Mill in Cruces Municipality, Cienfuegos Province has complied with its technical-economic plan by producing more than 24,000 metric tons of sugar in 112 days of harvest. Out of these 24,000 metric tons, 6,396 metric tons was for distribution in the province and 1,200 metric tons for Havana. The Mal Tiempo Sugar Mill has an accumulated performance yield of 11.80 and reached 12.10 at the time the goal was met. The recovered sugar reached nearly 88 percent. The workers have pledged to produce a further 3,000 metric tons, which when added to the Antonio Maceo Sugar Mill, the municipality will produce more than 6,000 extra metric tons. The Antonio Maceo Sugar Mill

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

reached 57,221 metric tons, as planned, but nine days before scheduled, with a performance yield of 1.17 and a recovered rate of 4.46 more than the previous harvest. Sugar production increased 19 percent with approximately a similar amount of sugarcane ground than the previous harvest. The Rene Fraga Moreno Sugar Mill in Colon Municipality, Matanzas Province, attained a production level of 22,564 metric tons of sugar after 106 days of grinding. This is 75 percent of the amount to grind. The performance yield was 10.7 and the recovered rate above 87. (Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 23 Apr 96)

According to a Havana, 24 April-datelined item, GRANMA reports that the Cuban sugar industry reached the 4 million-metric ton production mark during the current harvest. This is 12 percent higher than the 1994-1994 harvest, which was 3.3 million metric tons. Greater efficiency has permitted a greater yield of sugar using less sugarcane. Preliminary statistics indicate all provinces have now surpassed the amounts of the previous harvest. Rains alone stopped production for periods ranging between three to 20 days, forcing the transfer of significant amounts of sugarcane to nearby installations. The official goal for this harvest is 4.5 million metric tons. (Havana PRENSA LATINA in Spanish 1400 GMT 24 Apr 96)

Matanzas Province now has three sugar mills that have reached their marks. The Rene Fraga Moreno in Colon Municipality reached its mark this week. During the last two shifts the Puerto Rico Libre and the Horacio Rodriguez sugar mills surpassed their planned production by more than 22,000 and 12,000 metric tons, respectively. They are now ahead of the 18 mills. The yield performance exceeded 10 and the recovered rate was 84. (Havana Radio Rebelde Network in Spanish 1700 GMT 25 Apr 96)

The eastern province of Santiago de Cuba became the second province in the country to meet its sugar production plan after 127 work shifts that ended with practically 250 million metric tons of sugar. Four of the provinces seven sugar mills operating during the harvest were able to meet their production targets while the remaining three anticipate meeting their respective targets by the end of April. (Havana Radio Havana Cuba in Spanish 0000 GMT 26 Apr 96)

A few minutes ago, Villa Clara Province broke the 500,000-metric ton sugar mark and became the country's only province to produce this amount of sugar. Villa Clara will continue with its sugar production plan for this harvest. (Havana Radio Rebelde Network in Spanish 1155 GMT 1 May 96)

Cienfuegos Province workers have marked May Day by producing 270,000 metric tons of sugar, which represent 87 percent of their sugar production plan. The remaining of the plan will be fulfilled between 15 and 20 May. (Havana Radio Rebelde Network in Spanish 1700 GMT 1 May 96)

After having broken the 500,000-metric ton sugar mark, Villa Clara Province has already fulfilled 99.1 percent of its production goal. It has yet to produce approximately 4,500 metric tons of sugar. This province, which has produced the most sugar in the current harvest, could fulfill its goal prior to the weekend if weather conditions are favorable. Rains, however, have fallen in 11 sugar mills, which will undoubtedly slow down production. (Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 2 May 96)

With 46,000 metric tons of sugar, Union de Reyes municipality is the first municipality in Matanzas Province to fulfill its sugar production plan, while the Argentina Agro-industrial Complex, CAI, is the fourth CAI in Camaguey Province to fulfill this goal. As for the spring planting season, the national plan calls for more than 15,000 caballerias. Camaguey has the largest area to be planted, but it is failing to plant them at the desired rate. Meanwhile, Ciego de Avila's Ecuador CAI doubled its sugar production, as compared to last year's production, to 22,000 metric tons. (Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 2 May 96)

As the old saying goes, a chain is as strong as its weakest link. This seems to be the case in sugarcane planting. Camaguey Province has only planted 62 percent of what was planned for the first third of the year. This shaky start seriously hinders the spring planting season, in which 2,394 caballerias are expected to be planted. Rains are to blame, to a certain extent, for this delay. (Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 2 May 96)

The Boqueron bulk sugar terminal (terminal de azucar a granel) is the country's first terminal to fulfill its exports plan; it did so in 30 days less than expected. Approximately 77,000 metric tons more than in the previous harvest have already been exported. This indicates that foreign exchange revenues from these operations will be larger than last year's. In addition, the Jose Maceo terminal will export more than 250,000 metric tons of sugar. (Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 3 May 96)

The Cristino Naranjo CAI, located in Cacocum municipality in Holguin Province, has become the province's second CAI to fulfill its production plan. This municipality has also become the country's largest sugar producing municipality. It has produced approximately

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

63,000 metric tons of sugar, and, along with the Jose Maceo CAI's production, it has produced 121,000 metric tons of sugar. This CAI spent 223 pesos to produce each metric ton, and its profits exceeded 1 million pesos. (Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 3 May 96)

Camaguey sugarcane workers continue implementing harvest strategies not to leave a single sugarcane standing. The Agramonte Operation is being conducted now. They have cut more than 5.1653 million arrobas of sugarcane with the voluntary support of 82,700 workers, who were mobilized to the southern sugarcane fields. Yesterday, 392,000 arrobas of sugarcane were cut despite the heavy rains. Camaguey still has 34 million arrobas of sugarcane to cut. These massive operations had not been carried out in this province since 1989. (Havana Radio Rebelde Network in Spanish 1700 GMT 3 May 96)

The rains that have fallen in the last few days have not halted the sugarcane harvest in Granma Province thanks to the efforts workers and most people have made. Amado Hamut, Communist Party of Cuba's first secretary in Granma, said that the situation is very taut, but that does not jeopardize the fulfillment of the sugar production plan. He added that most sugarcane is being cut by hand. Granma has yet to produce less than 2,000 metric tons of sugar, which will be produced in the five mills that are still grinding. (Havana Radio Rebelde Network in Spanish 1700 GMT 3 May 96)

More than 9,600 caballerias are weed-free in Camaguey Province. In the last few weeks, hundreds of volunteers have been weeding sugarcane fields. Sugarcane cutting and grinding is not being neglected, however. Approximately 100,000 workers have worked daily to send more sugarcane to the mills. (Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 4 May 96)

Santiago de Cuba's sugarcane workers exceeded the sugarcane plan, after reaching the current harvest's goal in recent days. Workers already completed the additional 3,500 metric tons of sugar that they have pledged to deliver to the national economy. Santiago de Cuba was the second province to complete the current harvest's plan of 231,000 metric tons of sugar, at a time when three of its mills were still grinding. The America Libre was the last mill to stop its operation when the province reached the extra amount of sugar pledged. It is noteworthy that the eight mills in Santiago de Cuba achieved this campaign's goals, and it is particularly outstanding that they produced 18 percent more sugar, using only 12 percent more sugarcane. (Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 5 May 96)

Haiti

Haiti: Aristide, Former Officials To Present Assets Report

PA0305145596 Port-au-Prince Signal FM Radio in French 1030 GMT 30 Apr 96

[From the "Waking Up Newscast"]

[FBIS Translated Text] Former Haitian head of state Jean-Bertrand Aristide was asked to present an inventory of his assets following his tenure as president of the Republic. The former president must present a report on his assets to the clerk of the civil court of Port-au-Prince, according to the provisions of the Constitution.

The parliamentarians of the 46th legislature looked into this issue last weekend and asked Aristide to respect Article 279 of the fundamental charter. According to this article, the former high officials of the state are supposed to declare their accounting to the office of the public prosecutor of the civil court 30 days before they take office and 30 days after they leave office. Let us listen to the explanations of Gonaives Deputy Jean-Laurent Nelson.

[Begin Nelson recording, in Creole, in progress] ...certain deputies and certain office members also. I was there. We looked for the article, we examined it well and proposed to write to former President Jean-Bertrand Aristide. This means first, if he hasn't already done so, he can send us a copy of it in order to fulfill this obligation. Second, well, a person is a human being, he may have forgotten, so if he did not do it, he should go to do it.

Why do we say that? It is because in the people's struggle there are some images that we must not lose. There are some people who have gone a certain distance and who still have a long way to go in the struggle of the people. We must protect them. Similarly, it looks bad when a person, who possessed the right to enforce the Constitution breaks it. [end recording]

Let us recall that Senator Reynold Georges asked the parliamentarians last week to call for former managers of public funds to present reports of their assets to the appropriate authorities after their work in the country's management.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Haiti: Preval Describes 1 May Demonstration as 'Failure'

PA0305191596 Port-au-Prince Radio Metropole in French 1045 GMT 2 May 96

[From the "Morning Newscast"]

[FBIS Translated Text] The demonstration against privatization ended in failure. This is the opinion of the president of the Republic. Rene Preval actually reaffirmed that he wants to implement the plan of economic reforms and the privatization through the capitalization of the state-owned enterprises. Furthermore, the head of state invited the government to set up a widespread program on the issues of democratization of the state-owned enterprises. President Rene Preval said once again that he was open to dialogue. Listen to these statements made on 1 May, a few minutes after the closing of this demonstration against privatization.

[Begin Preval recording, in Creole] In my opinion, the 1 May demonstration was a failure. However, this is not really the important thing. The failure of the demonstration is not important. What is important is that there are people in the enterprises who are worried. We saw many Electricity of Haiti vehicles, we saw Teleco vehicles. This means there is a anxiety within these enterprises. We will not focus on the failure. We will focus on the anxiety because I believe that that is the duty of the government. The job of the government, my job, is to sit with the troubled people, to talk to them, and to assuage their doubts. The problem of the Haitian people today is not a question of privatization or not. By the way, it is a word that I am afraid of using, that I do not want to use, because what is important is not the external appearance, but instead what is inside. We have seen that everybody, that many people, that some people [words indistinct]. I repeat: It is not my assessment of the failure that will allow, that will authorize the government or me as president to pride myself and believe that I can do whatever I want. We must talk with everybody that [words indistinct]. Some people say 300 people, others say 400 people. This is not what is important. What is important is that there must be a dialogue with everybody so we can make everybody understand what we are doing so we do not do feign debates. [end recording]

These were the statements recorded by the journalists at the National Palace on 1 May, the statements of the president of the Republic after the demonstration against privatization.

Haiti: Preval on Privatization, Lavalas Camp Divisions

PA0305203596 Port-au-Prince Signal FM Radio in French 1030 GMT 30 Apr 96

[From the "Waking Up Newscast"]

[FBIS Translated Text] As regards privatization, President Rene Preval remains steadfast. Preval does not intend to compromise. He continues to work in order to end up in effective economic reforms. Asked about a possible refusal of the Parliament to ratify the agreements the government will have to sign with the international sponsors, President Preval announced for next week meetings with the various commissions of the two chambers. Concerning the division wind that is blowing within the lavalas family on the privatization issue, President Preval believes it is only a question of interpretation.

[Begin recording] [Preval, in Creole] Even before we began the discussions with the sponsors, we held several meetings with members of the Parliament: The presidents, the vice-presidents, and the secretaries of all the commissions. During these meetings, we explained the economic situation to them and told them that the best way to do this is to hold discussions with the sponsors. Now, given that we are discussing with the sponsors and that these discussions have gone far enough... [pauses] Now, this week, we are going to resume the discussions with the Parliament in order to try to convince them. If we manage to convince a majority, it would be good. If we manage to convince a very huge majority, it would be even better. If we manage to convince all of them, it would be better yet. But, if we do not manage to convince the majority, it will be just too bad. But in the current situation, everyone must assume his own responsibilities.

[Unidentified reporter, in Creole] The members of the Lavalas Political Platform [PPL] look divided. Several notes have been published during the week. Some say they agree, others say they do not. So, what are the preferences within the PPL? What have you done?

[Preval, in Creole] My dear, about this question of privatization, I think that... [pauses] When, I think well, I realize that there is a semantic quarrel. I see that there is a political party that says it does not agree with privatization but that it agrees with renting, that it agrees with management agreements, that it agrees with joint ventures. We have said nothing different. [end recording]

Anyway, we are at the third week of economic talks between Haiti and the sponsors. The debates look decisive during this new phase involving the four

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

institutions: The IMF, the World Bank, the Inter-American Development Bank [IDB], and the EU. The framework of the economic and financial policy is being debated with the representatives of the IMF, and this policy will allow the macroeconomic stabilization now that the government intends to adopt several fiscal and monetary measures to stabilize the national economy.

The discussions with the World Bank deal with the main lines of strategy and economic and financial policy for the next 10 years, a strategy likely to lead to the resumption of growth, the improvement of the social services, the agricultural reform, and compensation for the damages caused to the environment. The discussions with the EU were limited to the macroeconomic program and the state of advancement of the community support to the structural adjustment program.

Finally, with the IDB, the local officials are negotiating the reform of the public administration, decentralization and the presentation of the outlines of the loan program, and the sector-based investment that has to do with three main lines: The necessity of a macroeconomic framework, the reform of the financial system, and the investment loans relating to the energy and telecommunication sector.

The points that will be tackled in the negotiations this week are the reform of the public administration, monetary and financial policy, and privatization. An assessment meeting was held on past 26 April on the evolution of the negotiations that are due to end on 15 May.

Haiti: Preval Warns Employees Not Conforming To DGI Laws

PA0305212296 Port-au-Prince Signal FM Radio in French 1030 GMT 30 Apr 96

[From the "Waking Up Newscast"; passages within slantlines in Creole]

[FBIS Translated Excerpt] President Preval is maintaining a continuous presence at the General Directorate of Taxes [DGI]. Preval, accompanied by Finance Minister Fred Joseph, returned on 29 April to the DGI for a new working session. President Preval proceeded to verify the cashboxes. He called upon the employees of the institution to be punctual. Preval threatened to act ruthlessly against all those who do not want to settle their accounts with the internal revenue office, because he said he swore to have the Constitution and the country's laws respected.

[Begin recording] [Preval] /I swore to have the Constitution and the laws respected. I was not playing when I took that oath. If I take the oath, I must do my job, and my job is to make sure that the state is doing well. I am not doing the work of the executive branch. I am not doing the government's job. I am just checking how well the state is doing. You see, I am always accompanied by a minister who is a member of the government, and he makes the things officially./

[Unidentified reporter] /Does that mean that restoration of the government's authority in Haiti has really begun?/

[Preval] /Well, I have great diffficulty with this, because I do not see the aim of government authority only as forcing people to come and pay. Rather, I see it as a service authority. For example, in my opinion, the authority of the government will really be restored when the government starts picking up trash in the streets, when it starts giving people water and telephones. It must not be a repressive authority; it must be a service authority./ [end recording]

For his part, DGI General Director Jocelerme Privert explained that it is not a question of persecuting anybody, but rather of increasing the public receipts and enabling the government to meet its numerous obligations. Yesterday morning, they proceeded to seize the materials of at least five business houses in the city including Alma-Pharma, the Canadian Caribbean Chemical Company laboratories, and [word indistinct].

[Begin Prevert recording, in progress] /We are not repressing the taxpayers as the public might interpret this measure. Instead, we are informing every supposed tax payer so he or she can come and pay it. When we reach this phase, the phase of seizure, neither is it the wish of the government or DGI to close the enterprises. [passage omitted]/ [end recording]

Then, the head of state went to the General Directorate of Customs where he spoke with General Director Jean-Jacques Valentin. The director informed the president about a contraband case. The case involves an employee of the International Maritime Terminal [IMT], Pierre Oculis, and a businesswoman, Lucette Bonhomme. They were allegedly parties to the opening of those containers on 28 April without the knowledge of the customs inspectors. President Preval called upon attorney Carl Auguste and the public prosecutor to come and assess the situation. The latter issued an arrest warrant against each of the defendants. The public prosecutor sent to investigate did not find IMT employee Pierre Oculis. For her part, Bonhomme was arrested and taken to the Port-au-Price customs service where she was questioned by the public prosecutor in the presence of the head of state. [passage omitted]

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Haiti: Agreement With IDB Rejected; Senator Remarks

PA0305214496 Port-au-Prince Radio Metropole in French 1045 GMT 3 May 96

[From the "Morning Newscast"]

[FBIS Translated Excerpt] Parliament might reconsider its decision to reject the agreement signed between the Inter-American Development Bank [IDB] and the Haitian Government for the improvement of the Haitian education system, Wesner Emmanuel, president of the Senate Education Commission, has said.

Parliamentarians of the National Assembly rejected the $17 million agreement on 3 April. The senators and deputies stressed the structural and administrative shortcomings of the clauses of the contract. Senator Wesner Emmanuel has said that talks are underway between the IDB, the government, and Parliament for a revised version of this agreement. The revisions should take into account the concerns of the legislative body, Wesner Emmanuel has said:

[Begin Emmanuel recording, in Creole] The parliamentarians believe we must invest in infrastructure, not here and there in a hodgepodge of projects. For instance, we are giving scholarships to students who do not even have a seat in which to sit, to schools that do not even have the means to do a good.... [pauses] to teach a good lesson, to organize schooling properly. Thus, the agreement is not appropriate, and the parliamentarians are right, but we have been told.... [pauses] The IDB representative has given us the guarantee.... [pauses] He has given us two courses of action by which they will find money to build schools. [passage omitted] [end recording]

Haiti: Ex-President Aristide Discloses Assets 24 Apr

PA0305222296 Port-au-Prince LE NOUVELLISTE in French No. 35196 2 May 96 pp 1, 18

[FBIS Translated Text] In compliance with the law, President Jean-Bertrand Aristide disclosed his assets on 24 April, according to a source close to the clerk's office of the Port-au-Prince Civil Court.

No one is authorized to provide information on the disclosure of assets made by former President Aristide, this source has said.

On income taxes, a high-level official of the General Directorate of Taxes (DGI) has said that taxes deducted from salaries are withheld. He has said that on paydays the taxes on salaries are established and withheld from all state employees earning more than 1,666 gourdes per month.

President Rene Garcia Preval disclosed his assets before being sworn in on 7 February.

Haiti: Smarth on Regional Cooperation, Reforms

FA0405171996 Mexico City NOTIMEX in Spanish 1936 GMT 1 May 96

[By Jacquelin Telemaque]

[FBIS Translated Text] Port-au-Prince, 1 May (NOTIMEX) — Prime Minister Rony Smarth stated that the Haitian Government's current political agenda includes strengthening its ties with Latin America, studying the privatization of state enterprises, and reforms to the judicial system.

In his statements to NOTIMEX, the Haitian prime minister said his country has launched a political and economic offensive to strengthen its ties with Latin America, seeking support to advance its struggle against poverty and toward more democracy.

Smarth said countries like Mexico, Costa Rica, Chile, Venezuela, Brazil, and Colombia have stated their interest in cooperating with Haiti in varius areas, including the investment and commercial exchange sectors.

The official said Mexican enterprises are seeking agreements with Haiti, and he recalled that a Mexican commercial mission recently came to scope out the situation with the intention of strengthening bilateral relations.

He emphasized that "there is a working relationship at the private sector level," and this will be explored by a Haitian delegation that will visit Mexico in May.

The prime minister said during the interview that the delegation will travel to "establish contact with Mexican businessmen and to consolidate cooperation ties."

Smarth, who went to university in Chile and worked for the Agrarian Reform Corporation during President Salvador Allende's Administration, lived for 10 years in Mexico (1975-1985), where he was a professor of economics at the University of Chapingo.

Following the Mexican mission's visit to Haiti in April, another mission will arrive from Chile in June, and it will also assess the situation in the cooperation sector.

Smarth added that Costa Rica also maintains five cooperation projects with Haiti, and Argentina has presented various plans that are currently being studied.

Venezuela is the Latin American country that has the most cooperation projects with Haiti. For example, the Caracas government pledged to implement several of those projects within the framework of the Latin American Economic System (SELA), Smarth stated.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Brazil and Colombia are also involved in negotiations to implement some cooperation plans with Haiti, according to the foreign minister's statements.

Regarding Cuba, with which Port-au-Prince established diplomatic relations on 6 February, Smarth believes that "it can make a considerable technological contribution, although (Cuba) is currently facing tough economic times."

"Despite the difficult economic situation, Cuba sent a medical delegation to study the meningitis cases. This is an area in which Cuba has achieved a lot of progress. However, we can also benefit from its contributions in the sports and agricultural cooperation sector," he said.

Moreover, Smarth said President Rene Preval's administration seeks an alternative to the current situation faced by state-owned enterprises, because they are unable to provide the services for which they were created.

He outlined his government's alternatives in the economic sector, including "the Bolivian privatization model," which was termed by President Preval as "the most adequate for the country's needs."

"In the current situation, we must find a formula that allows the state to maintain control of the assets," he said.

"We have in mind a formula that seems the most adequate in two levels: It allows the state to maintain control of the assets and it allows the influx of capital from the private sector to allow for the developement of these enterprises," he explained.

Smarth admitted that the state-owned enterprises' main problems are that most of them report losses, some are poorly managed, and there is not enough capital to allow for their modernization.

"If we know that what we have does not fulfill the people's needs, then we must find an alternative," he emphasized.

"I know there will be obstacles and problems we cannot see right now. The state will have to play a responsible supervisory role and we must bear in mind the state of the market even when we capitalize those enterprises," he added.

Smarth was asked about negotiations with international financial organizations, and he said they do not only deal with the public sector's privatization, as opposition critics indicate.

Those negotiations include "financial support for the budget, public administration reforms, budget reform within the framework of fiscal and financial reform, decentralization, local development, and the macroeconomic context," he indicated.

"Generally speaking, the negotiations are coming along fine. There are some shortcomings as far as we are concerned; for example the administrative reform and decentralization, because these are new issues for the Preval administration, which was installed in February.

Rony Smarth emphasized that "as a whole, we have modified the proposals presented to us. We are advancing according to our priorities."

Moreover, he said the Haitian judicial system's limitations are caused by a lack of financial and human resources to create a system that works efficiently.

He emphasized "there is no justice possible as long as it remains subordinated to political power" in his country.

The Justice Ministry has the largest budget in the state (between 20 and 25 percent), which means the government is giving priority to the creation of a credible judicial system, he emphasized.

However, he admitted, this must be a long-term effort, "because there is no tradition of justice in Haiti."

He rejected the pressure exerted by U.S. Republican congressmen who demand a solution to the murder of lawyer Mireille Durocher Bertin, an opponent of former President Jean-Bertrand Aristide, who was killed in 1995 during an attack in a downtown sector of the capital.

"Justice would be distorted if we set aside the investigations on other cases and concentrate on Mireille Durocher Bertin's case. We clearly know that this and other crimes must be solved," he emphasized.

"The government wants to strengthen its legal system to aptly handle the cases. A criminal unit was created to increase this capability, and the experts who comprise it include two from the United States," he said.

Haiti: Ex-General Avril Denies Taking Asylum in Israel

PA0305145796 Port-au-Prince Radio Metropole in French 1600 GMT 30 Apr 96

[From the "Midday Newscast"]

[FBIS Translated Text] Contrary to what was reported earlier in the Haitian press, former General Prosper Avril is still in Port-au-Prince. The former general and president did not leave the county for Israel, where, according to the Haitian press agency, he was allegedly granted political asylum.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

We were able to get in touch with the former Army head, who did not wish to make any public statements. Avril told Radio Metropole: I am in Port-au-Prince, where I am leading a quiet life and do not feel persecuted by the government.

The former president, who last November took refuge in the Colombian Embassy for one month [as heard], indicated that his actions were above reproach. In any case, he said: I trust this government, which is a democratic government. Unquote [no beginning quote as heard].

Haiti: 1 May Anti-Privatization Demonstration Reported

PA0305185396 Port-au-Prince Radio Metropole in French 1045 GMT 2 May 96

[Report by Rotschild Francois Jr.; from the "Morning Newscast"]

[FBIS Translated Excerpt] On 1 May in Port-au-Prince there was a very poor participation in the demonstration that was called for by at least 10 people's and union organizations against privatization and the economic program of the government. Only a few hundreds of people demonstrated in the capital on the occasion of the Labor and Agriculture Day. The demonstration of the people's organizations, that received the combined support of some political parties including the National Front for Change and Democracy, nevertheless unfolded without incidents. Let us listen to a first report by Rotschild Francois, Jr.

[Begin recording] [Francois] The Anti-Privatization Group wished to make this movement a big rally where the people's and union organizations were going to disown the economic policy advocated by President Rene Preval. This demonstration, that unfolded without incidents, actually gathered only a few hundred people in the streets of Port-au-Prince. The demonstrations said they were ready to make every effort to thwart the economic policy of the government.

During this peaceful march, demonstrators carried signs with slogans criticizing President Preval, whom they accuse of wanting to sell the country through his privatization plan. The slogans read: "Prevatization" [preceding word formed from President Preval's name] "or privatization, implies unemployment, high cost of living, and the liquidation of the assets of the state." The slogans chanted during this demonstration criticized President Preval, former President Aristide, and Port-au-Prince Mayor Emmanuel Charlemagne. The international financial institutions and Haitian businessmen were not spared. The demonstrators also threatened to resort to necklacing the authorities who want to implement the economic plan of the government.

[Demonstrators chanting, in Creole] Down with privatization! We do not hear well. Down with privatization! If they privatize, we will burn them, it is not our fault. If they privatize, we will burn them, it is not our fault. Aristide, you had better die; Aristide, you had better die! Instead of selling the country, you had better die! Preval and Aristide are little bourgeois, Preval and Aristide are little bourgeois, Preval and Aristide are little bourgeois; they have plotted against the people. Preval and Aristide are little bourgeois; they have plotted against the people. Burn them, burn them. I am going to arrest them, I am going to put gasoline [words indistinct]. Necklacing (Pere Lebrun) was dormant, Preval has resurrected it. Necklacing was dormant, Preval has resurrected it.

[Francois] This demonstration will also be marked by the caravan of the employees of Electricity of Haiti who were on the vehicles of the company, an initiative condemned by the onlookers who are in favor of the privatization of the state-owned enterprises. The demonstrators occupied the streets for three hours to express their demands. Nevertheless, they were not able to rally to their cause the Port-au-Prince people who were present on Main Street when the demonstration was passing. Only a few stall keepers took advantage of this march to attack the policy of Mayor Emmanuel Charlemagne who wants to rid the capital of its walking markets. There is no difference between former Port-au-Prince Mayor Franck Romain and Charlemagne, some stall keepers in the main street say.

The demonstration that was closely watched by security guards ended in front of the National Palace with little participation. Thereafter, the demonstrators burned the signs that they had carried during this demonstration against the economic policy of the government. The organizers of the march think it was a success. [passage omitted]

Two Cuban flags were carried by the demonstrators during this demonstration as a token of solidarity, they say, with the Cuban people. [end recording]

Haiti: Policeman Killed; Disarmament Campaign Announced

PA0305220096 Port-au-Prince Signal FM Radio in French 1030 GMT 25 Apr 96

[From the "Waking Up Newscast"]

[FBIS Translated Text] The wave of insecurity continues to target the police.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

A policeman was killed and two people were injured by bullets in Port-au-Prince last night. Conseillant Jean-Louis, a member of the Petion-Ville Police Station, was struck by a bullet in the stomach in Portail Leogane at about 1900. The victim was rushed to the Haitian State University Hospital for medical treatment. He died from his injuries.

Colbert Louis, a security guard working for Thomas Security, was attacked last night along the airport road by strangers. Colbert Louis was struck by several projectiles and was transported to the general hospital.

The Haitian National Police [PNH] is determined to combat the insecurity in the country and has announced the immanent launching of a disarmament campaign throughout West Department. Uniformed policemen provided with search warrants or accompanied by judges will carry out search operations.

The PNH calls on all citizens who have information about places that could conceal weapons to notify the nearest police station. In addition, it asks all sectors of the country to cooperate in making this disarmament campaign a success for the well-being of all.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Mexico: Report Views Mexico's Trade Problems With U.S.

PA0605205896 Mexico City EL FINANCIERO in Spanish 3 May 96 p 22

[Report by Victor Gonzalez — received via Internet]

[FBIS Translated Text] Despite the successes accomplished by the NAFTA, the most recent controversy within the bilateral agreement deals with the U.S. Government's refusal to allow Mexican truck drivers to enter the United States.

A recent Mexican Government report discloses that issues such as U.S. trade deficit with Mexico, the financial assistance package, the lack of an economic recovery during 1995, and growth estimates for 1996, have all contributed to deprive U.S. public opinion of a fair and objective perspective with respect to our country, and that we "have become an issue of confrontation in Congress, in addition to an item in that country's election agenda."

The previously mentioned conclusions, states the document that was prepared as a starting point for the Mexico-U.S. Interparliamentary Meeting, "merely to mention economic aspects."

Drafted with the assistance of the legislative branch, the document stipulates that the Mexican Government has been able to reimburse $3 billion of the financial support package, and $1 billion in interest.

It also stresses that bilateral relations have become politicized, and that the problems allude to have resulted in the United States highlighting negative aspects, as well as forming inaccurate opinions with respect to matters exclusively pertaining to Mexico.

The report drafted by the Mexican Government states that some criticisms "are customary," especially in aspects such as immigration and drug trafficking, others are being used at this political moment, even though they have been around for a long time, such as the tuna, avocado, and cement cases. Others are more recent, especially the trade deficit and the much talked about loss of jobs as a result of the trade deficit and the NAFTA.

The document also states that the political atmosphere adverse to Mexico may deteriorate even if there are no trade reprisals following the recent actions taken by the office of the U.S. trade representative, which included Mexico, along with other nations, among the list of nations that impose trade barriers on U.S. products, restrict foreign investments, and do not efficiently protect intellectual property.

In spite of the above, the document notes that economic relations between the two countries have reached such a "degree of intensity" that any internal economic event in either country has an immediate effect on the other.

As far as trade is concerned, the United States is the biggest market for Mexican products and is, in turn, the biggest supplier of goods and services to Mexico.

In this regard, total trade between the two countries reached $120 billion by the end of 1995. More than 50 percent of all direct foreign investments in Mexico are of U.S. origin and the leading investor in assembly plants in the country is the United States.

New direct U.S. investment in Mexico reached $3.4 billion in 1995.

Aid is Politicized

The document also noted that the financial aid package given to Mexico by the United States as a result of the Mexican crisis has been the object of debate at the U.S. Congress and is part of the political campaigns leading to the presidential elections in that country.

The document explains that "the economic support was not only necessary for the recovery of the Mexican economy, but to prevent Americans and even the international financial system from being directly affected."

The report notes that "the assistance provided by the U.S. Government prevented an international debt crisis." Nevertheless, it adds, "it was not only a package for Mexico but also for the international financial system, which needed protection in order to buy time and relief for other nations."

The document stated that their commitment with the NAFTA has also been the "target of customary and new criticisms against our country." Two years after going into effect "it is difficult to make an evaluation of the agreement." Its immediate impact, however, has been the substantial increase in trade between Mexico and its two partners (Canada is the other).

The document also notes that despite the achievements of the NAFTA, the recent controversy in the bilateral relations with the United States has emerged because of the U.S. Government's refusal to allow the passage of Mexican truckers into the United States.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Mexico: Foreign Secretary at Commission Meeting With U.S.

PA0705021396 Mexico City Radio Red Network in Spanish 2300 GMT 6 May 96

[Report by Rafael Jerezano; from "The Night Monitor" newscast]

[FBIS Translated Text] This is Jerezano from the Mexican Foreign Secretariat, where the 13th meeting of the Mexico-U.S. Binational Commission has been opened.

Mexican Foreign Secretary Jose Angel Gurria has said in the presence of U.S. Secretary of State Warren Christopher: We are concerned about the presence of trends that seek to hamper our coexistence and lead us to confrontation and demands. He added that the two delegations meeting here should make a commitment to prevent those trends from negatively affecting the relations between the two countries. He also said that according to Mexico, political ties, economic relations, drug trafficking, emigration, and coexistence along the border are five areas that demand particularly careful attention.

He said it is the duty of the two governments to anticipate and defuse potential sources of conflict by means high-level attention and preliminary consultations on decisions that could affect one another. He said that scares can be avoided in this way and that it will be possible to change in time behaviors that could prove harmful to the relations between the two countries.

Gurria also referred to NAFTA, which, he said, has strengthened the institutional framework of the economic relations between the two countries. He said that since NAFTA came into effect, bilateral trade increased by 20 percent annually and has already reached $120 billion annually. He added that U.S. imports from Mexico have already led to the creation of 1 million jobs in the country.

Gurria said it is essential for the two countries to underline their commitment through the effective application of commercial rules and international law; for this reason, he said, we have firmly rejected the extraterritorial enforcement of internal U.S. legislation such as the Helms-Burton law. He told the U.S. secretary of state that Mexico expects to work together with the United States to prevent this law from harming the flow of commerce and investment and the movement of businessmen between the two countries.

Gurria also discussed drug trafficking, which he said threatens the stability of the two countries and is a potential source of friction in the relations between the two countries. He said the effect of drug trafficking is also devastating to the consumer societies and producer and transit countries. He said that all are victims and that the common enemies are the criminal networks devoted to drug trafficking that incite the young people into drug addiction. Starting from this understanding, he said, we should work together against this activity, avoiding blaming others groundlessly or making unilateral assessments that divide us, inhibit cooperation, and reinforce the positions of criminals whom we want to fight, and then came another strong issue; that is, the migration topic.

Our country's foreign relations secretary said that migration is one of our agenda's most polemical topics and that if any of the topics needs wisdom, in-depth understanding, and a long-term outlook it is the migration phenomenon. This complex affair means to Mexico the loss of a valuable human resource, the efforts and talents of which we would like to see exercised inside our territory.

The foreign relations secretary has commented on this topic:

[Begin Gurria recording] There is a deep concern in our country about the possible consequences of recent reforms to immigration laws approved by the U.S. Congress. As our parliamentarians have stated in their recent meeting in Zacatecas, these reforms stimulate the hostile climate against Mexicans in certain U.S. regions that are already exacerbated by the electoral process. We also are worried because the recently approved law against terrorism includes regulations on migration affairs. These affect legal as well as illegal immigrants and unfairly links, in the eyes of the public, Mexican migrants with criminal activities.

We should be capable of finding a better focus to deal with the problem. We must admit that sooner of later, if we allow discrimination to grow, it becomes indiscriminate. [end recording]

Our country's foreign relations secretary has said the border between our two countries is one of the world's most dynamic, because more than 300 million legal crossings take place every year. This finding speaks of a complex and intense network of contacts in this zone:

[Begin Gurria recording] Far from conceiving it as a space to erect new walls, we should embark on the creation of a zone of shared prosperity. Mexico and the United States have the privilege of occupying one of the world's most stable and safe areas. It is our wish and obligation to keep it that way. We are certain the U.S. Government will contribute this same positive outlook in order to consolidate our border as a zone

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

free of conflicts, an area privileged with stability and development. [end recording]

Mexico: Official Views U.S.-Mexico Binational Meeting

PA0605205496 Mexico City NOTIMEX in Spanish 0820 GMT 6 May 96

[FBIS Translated Text] Mexico City, 6 May (NOTIMEX) — Mexico and the United States will begin today a "historical" binational meeting to evaluate for two days bilateral ties and sign accords on common issues, such as immigration, drug trafficking, investment, and trade.

The 13th Mexico-U.S. Binational Meeting, presided over by Mexican Foreign Secretary Jose Angel Gurria and U.S. Secretary of State Warren Christopher, will seek consensus to achieve "a civilized neighborly, productive, and useful relationship," a Mexican source has said.

The Mexican delegation, comprised by more than a dozen of secretaries and high-ranking officials, will promote the establishment of consultation mechanisms to analyze issues of common interest, such as drug trafficking and immigration, Juan Rebolledo, Mexican assistant foreign secretary for bilateral affairs, reported.

Immigration, drug trafficking, and the protection of the human rights of Mexican immigrants will be the priority issues in the discussions of the 16 working groups of the Binational Meeting, the maximum forum to evaluate bilateral relations created since 1981.

Regarding the issue of immigration, the Mexican delegation expects to promote mechanisms to reduce the immigration conflicts through formulas of understanding, according to Rebolledo.

Last April in the States of California and Texas, incidents involving undocumented Mexicans took place, prompting a strong protest from the Mexican Government and condemnations from the international community.

Participants at the meeting will also discuss other issues, such as political affairs, business promotion, fishing and tourism, agriculture, health, environment and natural resources, housing and urban development, labor affairs, education and cultural affairs.

In addition, they will discuss scientific and technical cooperation, energy, transportation, border cooperation, financial fiscal and customs affairs, as well as trade and investment.

The binational meeting, which is held every year in different cities and will this year be held at the Mexican Foreign Relations Secretariat in the country's capital, will sponsor agreements that allow us to strengthen cooperation and encourage cooperation in issues of common interest.

After opening the meeting, Christopher, who is scheduled to arrive in the Mexican capital on Monday morning, and his Mexican colleague Gurria, will coordinate the discussions of the political, immigration, and drug trafficking issues.

Beginning at 1000 local time (0000 GMT) [as received], the delegations will open their working groups behind closed doors. In the evening, together with representatives of the diplomatic corps and special guests, the opening ceremony will be held.

The working groups will continue the discussions on Tuesday morning, concluding with a plenary session where the agreements attained will be reported. Delegates from both countries will pay a courtesy call on President Ernesto Zedillo.

The binational meetings that began in 1981, with the participation of three secretaries from each countries, have gained strength as a mechanism of appropriate bilateral dialogue to reach agreements on common issues.

The negotiations that resulted in the signing of the NAFTA, valid since 1 January 1994, began in the framework of these binational Mexico-U.S. meetings, creating the largest free trade zone area in the world.

Other areas where agreements have been signed are education, tourism, science and environmental technology, fishing, financial cooperation, and measures against money laundering.

At the 12th Binational Meeting held in Washington, United States, the 13 working groups were installed with the participation of seven U.S. and seven Mexican secretaries.

At the binational meetings, agreements have been reached on the struggle against drugs, education, tourism, science and technology, installation of border bridges, agreements on the environment, fishing, financial cooperation, and against money laundering.

At the meeting held on 16 May 1995, five agreements were signed on cultural affairs, education, agricultural issues, technical-scientific cooperation, communications, trade, and investment.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Mexico: Armed Group Attacks Peasants in Chiapas State

PA0705043896 Mexico City LA JORNADA in Spanish 6 May 96 pp 1, 11

[Report by Alonso Urrutia]

[FBIS Translated Text] *Los Chinchulines*, an armed group associated with the PRI [Institutional Revolutionary Party], attacked peasants in Bachajon, Chilon Municipality, Chiapas State, shortly after the election of an ejido commissioner, which incited the local residents to murder the group's leader, Jeronimo Gomez Guzman, yesterday.

A few hours later, in reprisal, members of *los Chinchulines*, who have occupied the municipal presidency of Chilon for 15 days, surrounded the town of Bachajon and torched several houses belonging to PRD [Party of the Democratic Revolution] town officials, including the house of Municipal President Manuel Gomez, whose whereabouts are unknown as of this morning, as well as part of a Jesuit convent, an order that has a human rights center there and has denounced many of the criminal acts of the armed group.

Reports gathered by The Miguel Agustin Pro Center have stated that at least three townspeople have been killed and that the whereabouts of Jesuit Priests Armando Herrera, Eugenio Maurer Avalos, Alberto Velasquez, Salvador Quintero Gonzalez, and Pablo Olivares Martin are unknown.

According to members of the humanitarian organization, despite repeated calls to the State Attorney General's Office to intervene, only a small detachment of policemen from Yajalon was sent to Bachanjon seven hours after the *los Chinchulines* reprisals began.

During most of the afternoon and night yesterday, Bachajon was virtually under siege by the armed group, which was enraged by the death of their leader. The police did not intervene until midnight. Another part of the PRI group had proceeded to Chilon, presumably to continue their actions.

According to reports given to this newspaper, the problem in Chilon dates back to the past elections, when the group supported by *los Chinchulines* lost and the PRD candidate Manuel Gomez Moreno won.

Constant tension has existed there since then and ended in the seizure of the municipal presidency on 18 April "when a paramilitary group occupied it by force." A few days before, Sebastian Aguilar Vazquez, president of the Regional Human Rights Coordinator, was kidnapped and beaten allegedly by this group.

Following the violence that occurred two weeks ago, residents of Chilon protested in Tuxtla Gutierrez where Deputy Government Secretary Uriel Jarquin promised to dislodge the municipal presidency and investigate warrants against at least 10 leaders of the PRI group, given that they have been "armed" and have acted "with impunity" for the last five years.

The humanitarian organization has stated, however, that the state government did not intervene until 4 May after peasants of the San Jeronimo Bachajon ejido held an election for commissioner, with adverse results for the candidates supported by the PRI group. This caused the initial tension. Reports state that at dusk approximately 20 heavily armed *Chinchulines* prevented dozens of peasants from the Guadalupe Pashila community from entering the town of Bachajon by seizing the Temo crossing on the Ocosingo-Palenque roads. There were shots fired, people injured due to beatings, and attempts to torch a few vehicles. This irritated the people who oppose the PRI group even more.

Members of the Center for Indian Rights in Bachajon have said the *Chichulines* are an armed, juvenile group affiliated with the PRI that acts with weapons. A number of its members has legal actions pending without the judicial authorities taking any action against them. Sunday morning, peasants of a number of communities near Bachajon "in a crowd," angered by what took place the previous night, went to the house of the *Chichulines* leaders, whom "they riddled with bullets" and then returned to their communities.

At approximately 1700 hours yesterday, members of the *Chunchulines* began gathering and blocking access to Bachajon. Armed, they began torching the municipal president's house, the houses of a number of municipal government officials, and part of the Jesuits' convent. Despite calls to state authorities, at 2300 the "siege" of the town of Bachajon continued; therefore, "there was no further news regarding violent deeds."

At the close of this edition, it was reported that a group of policemen based in the town of Yajalon, 35 minutes from Bachajon, had been sent to Bachajon.

Mexico: Roundup of Economic Developments Through 6 May

PA0605192796

[FBIS Report] The following is a compilation of reports on economic developments in Mexico monitored through 6 May.

Agriculture Secretary Francisco Labastida Ochoa discussed the new agro-industrial program for Mexico and said projects are being negotiated with Malaysia. New

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Zealand, Australia, and the United Kingdom. As for resources for the Program of Direct Support to the Countryside, he said 5.7 billion pesos are being allocated for the spring-summer season. (Mexico City XEW Television Network in Spanish 0300 GMT 26 Apr 96)

According to Mandfred Hoffmann, director of the Mexican-German Chamber of Commerce and Industry, small and medium-sized German companies plan to invest between $5 billion and $6 billion in Mexico this year. Hoffmann added that the chemical, automobile, and pharmaceutical industries will be the most favored sectors. (Mexico City EL FINANCIERO in Spanish 29 Apr 96 p 25)

The Foreign Investment General Directorate of the Commerce and Industrial Development Secretariat has reported in an official communique that direct foreign investment in Mexico reached $441.6 million as of March 1996. A total of $393 million were invested during the period just prior to March, while the remaining $48.6 million were invested during the month in question. The communique added that the United States was the biggest investor with $237.8 million, followed by Switzerland with $72.2 million, Netherlands Antilles with $28.9 million, Germany with $21 million, and other countries with $33.7 million. (Mexico City LA JORNADA in Spanish 29 Apr 96 p 49)

President Ernesto Zedillo said during a tourism meeting held in Acapulco that the Mexican tourism industry raked in over $3 billion in 1995, and 20 million tourists visited the country during this same year. More than 1,200 tour operators and representatives from travel agencies of 75 countries attended the event. (Mexico City LA JORNADA in Spanish 29 Apr 96 p 49)

President Ernesto Zedillo attended the signing of an agreement beteen the Nature Conservation Fund and USAID. This agreement practically consists of the following: AID will contribute $20 million and the Mexican Government will contribute $10 million to promote conservation policies. It was also noted during the ceremony that during the next five years, the governments of Japan, Canada, and the United States will contribute some $45 million for this program. (Mexico City Radio Red Network in Spanish 2300 GMT 29 Apr 96)

German Foreign Minister Klaus Kinkel said his country is interested in promoting trade relations with Mexico. In a news conference held after his meeting with President Zedillo in Los Pinos Presidential Residence, Foreign Minister Kinkel offered Germany's support so that Mexico can sign a free trade agreement with the EU. During his 1-day visit, Kinkel met with representatives of some of the 500 German companies established in Mexico, which have made investments amounting to $4 billion and which report annual productions worth $10 billion. (Mexico City XEW Television Network in Spanish 0300 GMT 30 Apr 96)

Gasoline prices in the Mexico Valley are expected to increase as much as 4.2 cents per liter with the adoption of an additional ecological tax; thus Nova gasoline will cost 2.47 pesos per liter and Magna Sin gasoline will be sold for 2.51 pesos per liter. The Mexico Valley consumes nearly 18.465 million liters of gasoline per day, of which 6.853 million liters are Magna Sin and the remaining 11.194 million liters are Nova. (Mexico City REFORMA in Spanish 1 May 96 — received via Internet)

The National Banking and Securities Commission reported on 30 April that the federal government and banks agreed to extend until 30 September the deadline for debtors to turn their loans into investment units. After this date, commercial banks may resume proceedings to confiscate property from debtors who have not reached agreements to refinance their debts. (Mexico City REFORMA in Spanish 1 May 96 — received via Internet)

The shareholders of Serfin Financial Group have agreed to increase the capital of Serfin Bank, its main subsidiary, by 9.984 billion pesos. This operation will allow Serfin to transfer 19.968 billion pesos in its net reserves portfolio to the Savings Protection Banking Fund. The Serfin Financial Group will increase its capital stock up to 8.549 billion pesos, which will be used for the bank's capitalization. In addition, Serfin Bank will increase its capital by approximately 1.435 billion pesos. (Mexico City REFORMA in Spanish 1 May 96 — received via Internet)

According to Herminio Blanco, commerce and industrial development secretary, during the first quarter of 1996, Mexico's trade balance registered a surplus of $1.672 billion, an increase of $597 million in comparison to the same period in 1995. In January 1996, Mexico's bilateral trade with the United States amounted to $1.434 billion while its bilateral trade with Canada amounted to $48 million. During that month, Mexican exports to the United States and Canada increased by 21.8 and 20.4 percent respectively, while Mexican imports from these two countries increased by 8.6 and 9.1 percent respectively. (Mexico City LA JORNADA in Spanish 1 May 96 — received via Internet)

In its 1995 annual report, the Bank of Mexico stated that its floating exchange rate control system has stabilized the Mexican currency, has lowered interest rates, and has reduced inflation estimates. In 1995, the inflation rate was 51.97 percent, the average foreign exchange

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

rate was 7 pesos, the economic activity decreased by 6.9 percent, and there have been high interest rates, increased unemployment, a massive reversion of net capital flow toward Mexico, and a weak national financial system. (Mexico City EL FINANCIERO in Spanish 2 May 96 p 4 — received via Internet)

According to Alejandro Valenzuela del Rio, spokesman for the Alliance for Economic Recovery, a 3.3-percent lag in projected expenditures for the first quarter in 1996 should not be considered as a disheartening factor, because this figure barely represents a 0.11-percent of the estimated GDP for 1996. Reference rates at the exchange market decreased from 40 percent in March to 33 percent last month. In just two months, the exchange market has accumulated a nominal profit higher than 13 percent. (Mexico City EL FINANCIERO in Spanish 2 May 96 p 8 — received via Internet)

At the end of the first quarter in 1996, 58 out of 100 main companies at the Mexican Securities Exchange have partially reverted last year's losses. During this period, the 100 companies registered 21.3358 billion pesos in profits. The total financial cost registered a favorable balance of 10.3789 billion pesos. Meanwhile, the 100 companies registered a reduction of 16 percent in liabilities, which amounted to 328.4334 billion pesos. (Mexico City EL FINANCIERO in Spanish 2 May 96 p 10 — received via Internet)

According to the Mexican Association of Studies for Consumer Protection, the price for the family basket of 80 consumer products increased by 2.9 percent, while sales decreased between 20 and 90 percent last month. Thus far in 1996, the accumulated growth rate for the family basket is 11.3 percent. (Mexico City EL FINANCIERO in Spanish 2 May 96 p 21 — received via Internet)

In the last year, the petroleum reserves of the country declined by 3 million barrels. Adrian Lajous Vargas, director of Mexican Petroleum (Pemex), reported that petroleum reserves total 62.58 billion barrels. Lajous reported Pemex expects to increase daily production from 2.850 million barrels per day to 3 million barrels by the end of the year. The official remarked that the privatization of the secondary petrochemical industry continues. He noted that Pemex obtained 30.316 million pesos in profits during the first quarter of 1996. He concluded by reporting Pemex increased its tax contributions to the state, going from 66.8 percent of sales in 1995 to 68.3 percent this year. (Mexico City LA JORNADA in Spanish 3 May 96 — received via Internet)

The National Association of Mexican Importers and Exporters (ANIERM) has warned that the behavior of production, inflation, and unemployment generates uncertainty about meeting government's objectives. ANIERM recognized that macroeconomic information confirmed that the GDP will grow by 1.5 percent, inflation will reach 30 percent, and exports will rise by 17.5 percent. It disclosed that exports will increase by 18.2 percent. ANIERM asked the government to implement additional actions that will permit a higher GDP rate growth. (Mexico City EL FINANCIERO in Spanish 3 May p 22 — received via Internet)

According to a 3 May report datelined Mexico City, the construction cost of the Samayaluca II Thermoelectrical Plant, capable of generating 700 megawatts, will total $647 million. Rogelio Gasca, director of the Federal Electoral Commission (CFE), reported that this is the first electric power generation project undertaken by the private sector. He explained that this project will be financed by a group of commercial banks led by Citibank and the Inter-American Development Bank (IDB). The official concluded by announcing that four other private electric power generation projects will up for bidding in 1994. (Mexico City NOTIMEX in Spanish 1922 GMT 3 May 96)

A Monterrey-datelined item reports on 3 May that the Mexican Cement (CEMEX) announced it has acquired the Colombian cement companies Cementos Diamante and Cementos Samper. CEMEX president Lorenzo Zambrano stated that with this takeover, CEMEX will increase its production capacity by 6.4 percent, bringing annual production to 50 million tons. For CEMEX, Colombia represents an attractive market with a long-term growth estimated at 4 to 8 percent annually. The official concluded that CEMEX has consolidated its position as one of the largest cement companies in the world, with $2.5 billion in sales in 1995. (Mexico City NOTIMEX in Spanish 1439 GMT 3 May 96)

According to a 3 May report datelined Mexico City, authorities reported that the added value of the maquiladora (assembly plant) industry exports rose by 6.6 percent in the first two months of 1996 compared with the same period last year. The National Institute of Statistics, Geography, and Information Science (INEGI) disclosed that the work hours in the maquiladora industry increased by 14.9 percent. Of total exports, 25.8 percent corresponded to the construction and assembly of transportation equipment, 24.6 percent corresponded to electronics, and 11.5 percent to the assembly of machinery. INEGI stated that the number of people employed by the maquiladora industry totaled 696,577 people, showing a 13-percent increase with respect to 1995. (Mexico City NOTIMEX in Spanish 0243 GMT 4 May 96)

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Guatemala

Guatemala: Economic, Agrarian Accord Signed With URNG

PA0605234796 Guatemala City Televisiete Television in Spanish 1900 GMT 6 May 96

[From the "Channel Seven News" newscast]

[FBIS Translated Text] The government and the General Command of the URNG [Guatemalan National Revolutionary Unity] today signed a socioeconomic and agrarian agreement considered to be the most important step for Guatemalan peace.

[Unidentified reporter] The Guatemalan guerrillas in Mexico City today signed an agreement on agrarian and socioeconomic issues. President Alvaro Arzu believes this agreement to be the result of the negotiations. The Peace Commission of the Guatemalan Government and the URNG signed the agreement at the Mexican Secretariat of Foreign Relations.

Arzu sent a message to the participants of the signing ceremony stressing that this agreement, the first such agreement since his term started in January 1996, is an indication of the results that have been taking place and the benefits the Guatemalan people will enjoy. The president congratulated himself for the peace agreement and praised the works of serious negotiators who have not fallen into the temptation of engaging in the attacks and contradictions that have emerged during the peace process but who have laid the foundations to move forward with the negotiations.

This agreement took place at the end of a five-day meeting held in Mexico City between the government commission and the URNG with the mediation of the United Nations.

Marrack Goulding, political affairs secretary and the representative of UN Secretary General Butrus Butrus-Ghali, attended the ceremony, as well as members of the group of friendly countries supporting the peace process; that is, Mexico, Spain, Colombia, Venezuela, Sweden, and the United States.

Goulding said the signing of this agreement is another step in the forging of peace in Guatemala and an extraordinary achievement, because it encourages the sides to forge a firm and lasting peace. On behalf of Butrus-Ghali, Goulding pointed to President Arzu's work and said he has honored a commitment to act, which will lay the foundations to end the armed conflict and will make Guatemala a fair and thriving nation.

Peace Commission Chief Gustavo Porras, Raquel Zelaya, Otto Perez Molina, and Richard Aitkenhead signed the agreement for the Guatemalan Government, and rebel leaders Pablo Monsanto, Rolando Moran, and Gaspar Ilom as well as Guerrilla Directorate member Carlos Gonzales signed it for the guerrillas.

The agrarian and socioeconomic agreement started being discussed in April 1995 as part of the peace process. Its conclusion was delayed in November 1995 because of the Guatemalan election campaign that ended in January 1996 with Arzu's victory, but the URNG presidential candidate held five informal meetings in late 1995 prior to returning to the negotiations table in February 1996 to readdress agrarian and socioeconomic matters.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Argentina

Argentina: Arms Sales Under Alfonsin, Menem Discussed

96SM0280A Buenos Aires CLARIN in Spanish
2 May 96

[Unattributed article: "The Business Deals of the Radicals and the Peronists: Iran and Croatia the Preferred Clients" — received via Internet]

[FBIS Translated Text] Alfonsin authorized $50 million in sales to Iran. And, although it does not show up in the documents, most of the arms sold during the Menem government went to Croatia.

From a reading of the secret decrees disclosed yesterday and from available information, it seems that during the Radical government, the greatest flow of Argentine armaments sold abroad went to Iran, while during the Peronist administration it was to Croatia, although this does not appear in the documentation.

The other two important buyers, Peru and Bolivia, have been historic purchasers from our country, and sales to countries such as Sri Lanka and Denmark are unusual. Before the return of democracy in 1983, Fabricaciones Militares, "the manufacturer of all armaments and munitions," came under the Armed Forces, and each branch had its own sales policy. Since 1983, Fabricaciones Militares, which the government has announced will be privatized, has remained under the control of the Ministry of Defense. In addition, a commission made up of representatives of the Ministries of Defense, Foreign Affairs and Economy was created to authorize specific sales.

Iranian Purchases

Between 1984 and 1987, the government of ex-President Raul Alfonsin authorized eight arms sales operations to Iran, for a value of approximately $50 million. Total sales authorized by Alfonsin to Iran, Bolivia, Peru, Kenya and Denmark amounted to $77 million. Six of the eight sales [to Iran] were direct, that is, government to government, while the last two were conducted by the Argentine firm Pradesa and the Panamanian firm Tactician International. According to the decrees, the Radicals sold Pampero short range tactical missiles, artillery pieces, tanks, and artillery and infantry ammunition. During the period in which these sales took place, Iran was not under any arms embargo by the United Nations or the United States, as it is now. As there is a foreign policy decision behind every arms sale, it can be inferred that the Radical government chose to be an arms provider for Iran during the bloody war it carried on against Iraq from 1980 to 1988. In this, it coincided with Washington: at the beginning of the war, the U.S. surreptitiously supported Sadam Hussein's Iraqi regime as a battering ram against the Iranian Islamic revolution, but then the so-called Iran-Contra scandal was uncovered. This was a secret operation of the U.S. government by means of which arms were sold to Iran to finance the Nicaraguan counterrevolutionaries who were fighting the Sandinista government. In this international scenario, Argentina and Iran were members of the Movement of Non-Aligned Countries and had normal diplomatic relations. But following the terrorist attack on the AMIA [Argentine-Israeli Mutual Association] in 1994, the Peronist government reduced the level of representation to charge d'affaires. This was done after federal judge Juan Jose Galeano asked the Supreme Court of Justice for authorization to investigate Iranian diplomats who he believed were involved in the attack. In the end, the Court denied Galeano's request and Iran denied any involvement in the attack.

The Peronist Sales

In contrast, of the 10 sales operations conducted during the two terms of President Carlos Menem, most of the arms went to Croatia. Between 1991 and 1995, 6,500 tons of arms and munitions were loaded into six Croatian ships under contract by Croatian Lines. In reality, the decrees permitted the sale of these arms to Panama and Venezuela. But, since the U.S. invasion of 1989, Panama has no armed forces and Venezuela has officially denied having purchased Argentine arms. Furthermore, as CLARIN disclosed last Sunday [28 April] in an exclusive report, in last year's parade on the anniversary of Croatia's independence, Croatian television showed two Argentine artillery pieces and Croatian soldiers carrying FAL [light assault rifle] assault rifles made in Argentina. Argentine arms went to Croatia despite a UN embargo in effect since 1991. Similarly, 8,000 FAL rifles and 75 tons of munitions reached Ecuador in February 1995 despite the existence of an embargo by our country, which is also a guarantor of the peace under the 1942 protocol of Rio de Janeiro. From a preliminary comparison between the sales operations of both governments, it appears that during the Radical administration, in contrast to the Peronist, few intermediary firms were used, arms were sold to countries that were not under a UN embargo, and the documentation in principle was not false, that is, the country mentioned in the document as the intended recipient is the same country that received the armaments.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Bolivia

Bolivia: News Summaries for 2 May

96SM0283A (Internet) Bolivia Social Communications Ministry WWW in Spanish 2 May 96 Morning Edition

[From the Computer Services Network of the Bolivian Social Communications Ministry http://utama.bolnet.bo:80/mcs/matind.htm]

[FBIS Translated Excerpt][passage omitted]

Political News

ADN [Nationalist Democratic Action] and MIR [Movement of the Revolutionary Left] Will Amend Hydrocarbons Law

A day after President Gonzalo Sanchez de Lozada promulgated the Hydrocarbons Law, ADN and MIR parliamentarians stated that if either ADN leader, Hugo Banzer, or MIR head, Jaime Paz Zamora, is elected in 1997, they will not hesitate to change this law.

Taking a more radical tone several days ago, the CONDEPA [Conscience of the Fatherland] executive secretary and deputy, Ricardo Paz, announced that if Carlos Palenque becomes president, his party would repeal the Hydrocarbons Law.

Government Party Senators Announce Dialogue With Opposition

The president of the Senate, Juan Carlos Duran, stated that after promulgation of the Hydrocarbons Law, the next step will be to begin a dialogue with the COB [Bolivian Labor Federation], opposition parties, and other groups in Bolivian society on revising the Social Security and Pension Fund Reform Law.

After MNR [Nationalist Revolutionary Movement] members in the Senate applauded to celebrate the bill's passage through Congress, the Hydrocarbons Bill was immediately sent to the executive where, within a few minutes, the president promulgated Law No. 1689, thus culminating one of the longest national debates in our history.

MNR Compares Palenque to Hitler and Monica to Eva Peron

According to German Quiroga, the prefect of La Paz and MNR leader, CONDEPA "does not know the meaning of the word democracy; it is a fascist and Peronist sort of party. It has a Fuhrer, Carlos Palenque; a Rommel, Ricardo Paz; and an Eva—Monica, the wife of the CONDEPA leader."

In these words, Quiroga yesterday compared a party that is accustomed to boasting of being democratic to "German fascism and Argentine Peronism," with a hierarchical and messiaanic character.

In response, CONDEPA Deputy Eduardo Paz stated that his party "is democratic because Carlos Palenque is a leader who came from the people, from the popular classes." But Eduardo Paz is supposedly one of the CONDEPA leaders being challenged from inside the party by some members who are calling for "internal democracy."

Santa Cruz Deputies Want 22 Deputies for Their Department

A group of Santa Cruz deputies has introduced a bill based on Article 60 of the Constitution; it calls for increasing the number of deputies from Santa Cruz Department from 17 to 22.

According to this bill, sponsored by MNR Deputy Ismael Moron and other deputies, La Paz would increase the number of its representatives in parliament from 28 to 30.

The bill's proponents want to keep the number of deputies from Cochabamba at 18 and from Oruro at 10, and they suggest decreasing the seats for Potosi from 19 to 16.

Villalobos To Go to Beni To Settle Civic Conflict

Minister of Economic Development Jaime Villalabos will go to Beni to cool down the heated atmosphere of that department's Civic Committee, stated the secretary of coordination for the presidency, Ruddy Araujo.

In a brief statement, Araujo said that his office has done all the necessary coordination so that a dialogue can be established with that department's Civic Committee.

Minister of Communications Guillermo Richter will travel with Villalobos to bring an end to the civic shutdown annnounced by the authorities.

The government's representatives will respond to demands concerning the problem of the Santa Cruz-Trinidad gas pipeline, the completion of the highway along the same corridor, and improving Lloyd Aero Boliviano's airline service to Beni.

Industrialists Call For Speed in Pension Reform

Yesterday representatives of industry asked the government to accelerate the pension reform process, which they consider a priority issue for strenghtening the productive sectors.

According to the president of the National Chamber of Industry, Carlos Cortez, this reform will provide the workers with better retirement conditions.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

The pension reform, the other axis of the economic reform, will help to boost domestic savings levels in Bolivia, explained the government.

On Tuesday, Minister of Privatization Alfonso Revollo announced that the bill on the Pension System Reform will be submitted at the first cabinet session convened by President Sanchez de Lozada.

Hebner Zambrana Moves Back to MNR

Deputy Hebner Zambrana, who left the MNR after charging Minister of Economic Development Jaime Villalobos with corruption, is reportedly about to return to the ranks of the major government party, although there is a sector of the party that is not very happy about that possibility.

It has been learned unofficially that Zambrana has reconciled with his MNR colleagues, and after his charges that led him to sever his ties with the party failed, he is now reportedly about to return to the government party.

Now an "independent," the deputy left the MNR last year after he charged that some protective maneuvering had taken place in favor of Villalobos who, according to Zambrana, had profited from immense Precambrian-area irregular concessions.

Departmental Council Sessions Begin Today

A month behind schedule, the La Paz Departmental Council will begin meeting today, even though the roster of the council members has not been completed.

According to the Enacting Decree for the Administrative Decentralization Law, the Departmental Council is responsible for ratifying or rejecting construction programs or investment projects executed by the departmental prefecture, so national officials have expressed their concerns about delays in the appointments of council members in some departments.

In the case of La Paz, by the first half of April almost all the provinces had selected their representatives, and only the appointment of the council members from Murillo Province was still pending.

By April 1,700 Hectares of Coca Plantings Eradicated

Brigades from DIRECO [National Directorate for Agricultural Reconversion], DINACO, and the Environmental Police Unit have eradicated 1,700 hectares of coca plantings that were considered excessive and illegal during the first months of this year, reported Secretary for Social Defense Victor Hugo Canelas, after receiving the latest report from the National Directorate for Agricultural Reconversion, based in the tropical location of Villa Tunari.

"The process of eliminating coca plantings is continuing in a climate of tranquility, mutual good will, development, and compensation," said the Ministry of Government official.

Social News

Workers Protest Government and Union Leaders

The workers' feeling of unhappiness with their COB union leaders yesterday competed for some moments with the protest against the privatization of state enterprises during a large demonstration and protest held on International Labor Day.

The assembly of about 20,000 workers was held in Plaza San Francisco, with the notable absence of Oscar Salas, the top COB leader, who is suffering from psoriasis.

COB leaders Juan Chavez and Vladimir Terceros led the protest action.

Economic News

Revollo: Pension Reform Will Benefit 300,000 Retirees

The Pension Reform will doubly benefit over 300,000 retirees in Bolivia, as they will keep their present incomes and will also receive benefits from the privatization of public enterprises, stated Minister of Privatization Alfonso Revollo.

He explained that the resources coming from 50 percent of the privatization revenues of these enterprises, now being held in trust by Cititrust, will have to be placed in the individual accounts of all Bolivians so they will have a decent income in their retirement years; the beneficiaries will include the present retirees.

Nontraditional Exports Down by $30 Million

Nontraditional exports during 1995 declined by approximately $30 million. They were hurt by the low level of exports from La Paz Department, said the director-adviser of the National Chamber of Exporters of Bolivia, Alberto Zelada.

The executive explained that the decline in gold jewelry exports had a great impact on the total of nontraditional exports. In 1995, based on estimates, nontraditional exports barely amounted to a little under $500 million, while in 1994 they were $520 million.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

BBA [Bolivian American Bank] Begins Action To Recover Blocked Credits

The Bolivian American Bank is working to recover the $20 million in credits which the Siles Group granted to its enterprises, an effort which should also benefit the Central Bank, reported the bank president, David Blanco.

He explained that in the case of the credits which are now blocked, amounting to $20 million, the BBA is holding them in a trust and will pay them to the Central Bank of Bolivia.

He said that if this amount is recovered, one-third would be earmarked for the BBA, while the Central Bank would receive two-thirds of the total.

Interest Rate To Finance Gas Pipeline Not To Exceed 10 Percent

Financing costs for the Santa Cruz-San Pablo gas pipeline should not exceed 10 percent; otherwise, the project would be unviable, said the president of YPFB [Bolivian Government Oil Deposits], Arturo Castanos.

According to YPFB sources, ENRON, because of the nearness of the deadline for the completion of financial arrangements, 31 December 1996, might have to obtain financing at an interest rate higher than what is stipulated in the association contract that has been signed, which would exclude it from the project.

ENRON, a partner of YPFB in the gas pipeline project, is responsible, according to the association contract, for obtaining the financial package for the Bolivian part of the project, although according to the manager of the multinational company in Bolivia, Laine Powell, at the present time there is no reason to think that the objectives will not be met.

General Information

Escape Attempt From Chonchocoro Prison Thwarted

An escape attempt from Chonchocoro Prison, the most secure prison in Bolivia, was discovered and thwarted yesterday by the General Police Command. As a consequence, all of the security personnel have been replaced, except for the governor of the prison, Hector Mallea.

According to Police Intelligence sources, the escape attempt was planned for yesterday, but at 0800 the police took action and changed all of the prison's security personnel.

Seven prisoners who were Colombian nationals charged with drug trafficking have been implicated in the escape attempt.

Brazil

Brazil: Malan on Combating Inflation, Bank Crises

96SM0270A Sao Paulo O ESTADO DE SAO PAULO in Portuguese 21 Apr 96 p B9

[Interview with Finance Minister Pedro Malan by Suely Caldas, place and date not given; first three paragraphs are O ESTADO introduction]

[FBIS Translated Text] Brasilia—If he had to choose between accelerating economic growth and fighting to bring down the inflation rate, Pedro Malan would not hesitate for a minute—he would choose the latter. And this has been the keynote of economic policy so far, despite pressures exerted in the opposite direction by Ministers Jose Serra, of Planning, and Sergio Motta, of Communications. Behind the scenes (and publicly), the two Sao Paulo natives have been criticizing the interest rate and arguing that it is now time to expand economic activity.

In this interview with O ESTADO, Malan takes issue with American economist Rudiger Dornbush, and terms "irresponsible" his suggestion that Brazil "forget about inflation and start growing again at seven percent a year." Dornbush was called the "gringo Gil Pace" by the international area director of the Central Bank, Gustavo Franco, in a reference to the Brazilian economic adviser who answered a suit filed by Edmar Rocha and, in the early days of the Real Plan, predicted high inflation rates that never came to pass.

Pedro Malan denies that a decision has been made to create an agency, separate from the Central Bank, to handle the affairs of the state-owned banks, as was announced by National Bank for Economic and Social Development (BNDES) President Luiz Carlos Mendonca de Barros. "There is a tendency to make ideas that are under discussion, but not yet approved, into government decisions," Malan said. He said he prefers not to speculate whether Minister Jose Serra has washed his hands, like Pontius Pilate, in refusing to sign the controversial agreement that handed Banco Economico over to Excel Banco.

Here are the highlights of the interview with Malan.

[Caldas] Rudiger Dornbush, an American economist, argued that Brazil should accelerate its economic growth, even if that means higher inflation rates. What do you think?

[Malan] Between 1990 and 1992, per capita income fell repeatedly, which means people were getting poorer—at a time when we had very high inflation. In 1993, we started growing again, at an average of 4.75 percent

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

in the past three years. We will enter 1997 with an expanding economy, improving in 1998. On the average for 1993-98, compared with the preceding 11 years, we hope to see an average growth higher than 4.5 percent a year, with inflation dropping from 5,000 percent down to a civilized level.

[Caldas] According to Dornbush, the Brazilian Government wants the kind of inflation rate that Switzerland has....

[Malan] It was never our intention to get inflation down to two percent a year. It is typical of someone like him, who does not closely follow developments in the Brazilian economy, to say that the government's only objective is to reduce inflation. The intent is to keep inflation on a gradual downward trend. We are not going to give up on that. The Brazilian model is more like that of Chile, where the rate went from 27 percent to 23 percent and then, successively, to 18 percent, 13 percent, and nine percent. At the same time, we are trying to keep the economy growing at a reasonable rate of 4.5 percent and create conditions for the country to resume growth, in a sustained fashion. I want to emphasize the word "sustained," because it is not hard to accelerate growth in business activity for a very short time. But that just exacerbates inflationary pressure and problems with the balance of payments because of the expansion of imports. So it would be irresponsible to try to make the economy grow at seven percent a year.

[Caldas] But we find in the administration people who think as Minister Jose Serra does, who say the time has come to accelerate growth. Is the BNDES taking steps in that direction?

[Malan] I do not think so. To grow at sustained rates, we would have to increase the rate of domestic savings in the Brazilian economy. And that means expanding private savings and reducing public sector dissavings. The consolidated public deficit is an example of dissavings. We need to rebuild the foundation so that the economy can start growing again, but in a sustained fashion. It was Dionisio (Carneiro, an economist at PUC-RJ [Pontifical Catholic University-Rio de Janeiro]) who called attention to this. We are in the midst of a process of change—almost a cultural change—of learning to live without indexation. At this point, to say "forget about inflation and start growing again" is not a recipe that should be considered.

[Caldas] What was it like to live through those days when Gustavo Loyola, president of the Central Bank, faced possible dismissal, and the pay increase for the bank employees was suspended?

[Malan] Let us leave aside the failures in communication and talk about what is important. The Central Bank held competitive examinations in 1966, 1973, and 1977, but then not until 1991. It went 14 years without holding exams. Now the average age of a Central Bank employee is 45, and almost all the people who started in 1966 have retired. Others left because of disenchantment related to certain instances of questionable conduct, and accusations against the institution.

[Caldas] Which ones? Senator Antonio Carlos Magalhaes calling the directors "outlaws," or Mayor Paulo Maluf recommending they be jailed?

[Malan] The examples reported in the press. No country worthy of the name subjects its central bank to that kind of humiliation. But to get back to your question, the entry salary of Central Bank personnel is a lot lower than the level prevailing here in Brasilia in the legislative branch, the judiciary, the National Accounting Office, the Government Attorney's Office, the Treasury, the Revenue Secretariat, or the Public Prosecutors' Office. Therefore, the Central Bank has been losing people, because the older ones retire, and we can neither attract nor retain younger ones. For an institution, this is death. It is paradoxical, because the public demands that the Central Bank be effective in conducting macroeconomic policy, in regulating and supervising the financial system.

[Caldas] If the administration is aware of the need to restructure the pay scale, why did the president of Brazil order the pay increase suspended?

[Malan] The real story is that the Central Bank submitted to the National Monetary Council (CMN) a comprehensive request that extrapolates the salary increase. It dealt with competitive examinations, restructuring, etc. In approving the request, the CMN made several changes. Loyola thought those changes required more careful study and suggested that it might be wise to temporarily suspend the salary adjustments until things could be discussed more fully.

[Caldas] But the decision to suspend was not Loyola's, it came from the president of the Republic.

[Malan] It is certainly true that, unfortunately, because of this sense of urgency that sometimes takes hold of some people, it looked as if the Central Bank had given all its employees a 77.5 percent pay raise, which is false. That percentage would only have been applied to the lowest salaries, and even then not until a second phase, which makes perfect sense in light of Brasilia salaries today. That is why the president thought it best to temporarily suspend implementation of the proposal in the form approved by the CMN.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

[Caldas] Minister Jose Serra did not sign off on the Excel/Economico operation on behalf of the CMN. Did he disapprove of it?

[Malan] There is a very simple explanation. The proposal, in its final form, was ready on Wednesday morning. Minister Serra did not receive it until lunchtime and did not have time to study it. He has no reservations about the agreement itself. He simply did not have time to read it and decided to sign it later.

[Caldas] And if he disapproves? Will the decision be revoked?

[Malan] If he disapproves, he will make a statement for the record.

[Caldas] The fact is, this agreement bore a very strong political bias throughout the negotiations. At times the Bahian congressional delegation would apply pressure; at other times, either Excel or its Swiss partner were accused of fraud. It was not easy to arrive at a solution, and the decision was both technical and political. What stands out about the deal, to those outside the government, is that the planning minister played Pontius Pilate and refused to accept any responsibility for the final form of the agreement.

[Malan] Look, I cannot analyze what is going on in people's heads. I do not even want to speculate about it. The fact is the proposal will go to the CMN at its regular meeting, and all the members (Malan, Serra, and Loyola) will be able to express their opinion. The minutes will record what they have to say on the subject. I am not going to speculate about what the minister thinks or what he will do.

[Caldas] There are states where governors have become administrators of a bankrupt estate inherited from past administrations. Sao Paulo is one of these, and Banespa [Sao Paulo State Bank] symbolizes that situation. The Senate has been postponing approval of the agreement that would return the bank to the Sao Paulo government, and all indications are that the bank will end up being federalized.

[Malan] I am working on the assumption that the Senate will approve the agreement and that it will be implemented.

[Caldas] And if that does not happen, after all? One has to have alternatives in mind. Then there are two possibilities: either federalization, or liquidation.

[Malan] Liquidation of Banespa was never considered by the current administration.

[Caldas] Just since the agreement was signed on 15 December, Banespa's indebtedness has risen from 15 billion reals to 17 billion reals. Who is going to make up that difference?

[Malan] It is true that when we negotiated with the State of Sao Paulo, we set 15 December as the cutoff date on the debt. Since it is not being paid off and the interest charges are being capitalized, obviously the debt has risen during the interim. But there is no reason why payment of that portion cannot be negotiated.

[Caldas] Problem is, the Mario Covas government does not recognize that part as being its responsibility.

[Malan] Very well. That is something to be discussed. An agreement exists and I am going on the assumption that the Senate will approve it. As for what happened since 15 January, we will talk about it later with the governor.

[Caldas] And what about the other state banks? Some would not be missed at all if they were to close. They have practically no branches, they employ relatively few people, they make questionable loans to friends of the governor, and then they send the bill for the losses to the people of that state. What do you think?

[Malan] I think that each case is unique and everything depends, obviously, on the position taken by each governor and on the local political leaders toward solving the problem. A governor can explore a variation of the Banerj [Rio de Janeiro State Bank] model, privatize it, or discuss how to close the bank. But none of that can be imposed from Brasilia. What the federal government can do is offer a menu of alternatives for discussion with the governor. I hope the Banerj experiment is successful, because it shows one way out.

[Caldas] But there are cases where privatization is impossible. Governor Tasso Jereissatti, for example, wants to sell the Bank of Ceara, but he cannot do it because there are no buyers. Those are states where per capita income is very low and no investor is interested in the local institution.

[Malan] I think the decision is up to each governor.

[Caldas] The president of the BNDES, Luiz Carlos Mendonca de Barros, announced the creation of an agency, outside the Central Bank, to handle the state banks. Will that really happen?

[Malan] The administration is always discussing ideas internally. Some barely survive the morning, others undergo a process of discussion. There is a tendency to transform an idea that was merely submitted for discussion at some meeting into a government decision. Sometimes this happens merely because some of its aspects were sent down for a feasibility study.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

[Caldas] So there has been no decision on that agency, even though it was announced as such.

[Malan] No decision. It is under discussion. You cannot say that an idea that is being studied may become a decision to be implemented, by surprise, at the next day's meeting.

[Caldas] The administration announced a goal of a fiscal surplus of two to 2.5 percent of GDP [gross domestic product] for this year. What kind magic trick can achieve that?

[Malan] There are no magic tricks in economics. There is a set of actions that, in the aggregate, can help to bring about a result close to that goal. I think the administration has taken steps in that direction. The president was talking about the primary results, but we are also looking at the operational and nominal results, and we will start using the latter more frequently. Last year, the nominal deficit was 7.35 percent of GDP, which means it is high. That is the nominal deficit that the European countries aim to bring down to about three percent of GDP. Right now, only Luxembourg is below that limit. The average for European countries last year was 4.7 percent of GDP.

[Caldas] What is the difference between the various ways of measuring the public deficit?

[Malan] The primary method excludes interest payments and price restatement. The operational method includes real interest payments, and the nominal includes everything. By all three methods, we will see a significant improvement over 1995, and even more in 1997. The operational basis, which includes interest payments, will also decline because there has been a significant drop in interest rates in 1996 from 1995. In April 1995, interest rates peaked at 4.26 percent a month, and now they are at 2.02 percent.

[Caldas] And is there room for rates to fall even further?

[Malan] The futures market exhibits a declining trend in interest rates, to approximately 1.8 percent by this November, well below the 1995 peak of 4.26 percent. This greatly reduces the cost of the public debt. Last August, we announced we would start relaxing the money and credit squeeze. The rate began to fall, we relaxed the reserve requirement a little more, we cut back on credit restrictions. It was like Gabriel Garcia Marquez' book—the chronicle of an announced increase in flexibility.

[Caldas] So the primary result is likely to show a surplus of two percent of GDP? And what are the goals for the operational and nominal methods?

[Malan] Assuming that we achieve the primary result of two percent and outlays for interest payments in 1996 are on the order of 3.5 percent of GDP, the operational result may show a deficit of 1.5 percent. But I do not want to commit myself to that figure.

[Caldas] If social security reform does not have a fiscal impact this year, how will that item help reduce the government deficit?

[Malan] Those are decisions that are being discussed right now and will have to be made very soon. I do not intend to announce them ahead of time.

[Caldas] Obviously, you are referring to the increase in pensions. There is a pending legal case on that subject. To keep the readjustment less than inflation, as the administration wants to do, a provisional measure will have to be issued defining the index and the frequency of increases in pension payments. When will that be done?

[Malan] I am very sorry. I make it a rule not to comment on things that are under discussion within the administration. That is something I am not going to talk about.

[Caldas] And what about the increase in the minimum wage, I need not bother to ask?

[Malan] Same thing. It is an old rule of mine. We will have to decide that question by 1 May.

[Caldas] The Ministry of Finance has signed agreements with 17 states. Mato Grosso is a serious case of bankruptcy. The president of the Tribunal of Justice came to Brasilia to hand over the keys to the Federal Supreme Court because paychecks are running months behind. The chaos in that state impairs the functioning of schools, hospitals, and the police. The poor are the ones who suffer most, since they are the ones who need those services. Might the federal government intervene, since the Constitution makes provision for that?

[Malan] We are working with Mato Grosso. The local government is making a serious effort and the problems are being dealt with.

Brazil: Rossi Moves Up in Sao Paulo Mayoralty Race

96SM0270B Sao Paulo ISTOE in Portuguese 1 May 96

[Article by Luiza Villamea: "House in Order" — received via Internet]

[FBIS Translated Text] Finally, we have the first major certainty in the mayoral elections in Sao Paulo, a

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

picture that until recently had been clouded with uncertainty. Feisty Communications Minister Sergio Motta has thrown in the towel before the race begins. That was all that the leader in the polls, Francisco Rossi (PDT) [Democratic Labor Party], was waiting for. After all, with "Big Sergio" out of the picture, the chances are greater that the present polarization between Rossi and former Mayor Luiza Erundina (PT) [Workers Party] will extend to the final phase of the campaign—with Rossi holding the advantage at this point, since his rejection rate is half that of Erundina. The difference has left the PDT candidate free to make controversial proposals. He believes that during his administration, it will become possible to capture rainwater to fill the water storage tanks of big buildings. "It would be a way to save water in a city that experiences water shortages of crisis proportions," said Rossi, who plans to turn the idea into law if elected. Along the same lines, the candidate thinks that garages in high-rise buildings could be used for public parking during certain hours.

Rossi is riding high on the campaign trail now because he is the only one whose house is in order. "I already have my full slate, while others are still trying to make up their minds," he said jubilantly. To appreciate how serene Rossi is, one need only note that uppermost in his mind is a trip back to Toronto, Canada, to check on the results of a traffic plan implemented 11 years ago that reduced the number of cars on the streets during rush hour by establishing parking bays. Aware that one of the chief flaws in his candidacy is the absence of a platform, Rossi has assigned his running mate, Marcos Cintra (PL) [Liberal Party], to coordinate a study of Sao Paulo's problems. Despite the initiative, Rossi is reluctant to admit that he will develop a plan for governing. He would rather talk about goals, arguing that traditional platforms "end up in the desk drawer." He used the same line during his unsuccessful 1994 campaign for Bandeirantes Palace. On that occasion, he was criticized for suggesting that the state "close for inventory" for 15 days, but this time he does not think that would be necessary. "The next mayor will have trouble at the beginning, but then he will get along swimmingly."

To achieve his goal, Rossi has been making some changes. Famous for having run his most recent campaign with a Bible under his arm, he is increasingly distancing himself from religious discourse and is talking about national issues. On Thursday, 25 April, he scored points on Radio Globo's "Paulo Lopes Show," when he advocated regionalizing the minimum wage. "The wage should be higher here, since expenses are higher," he told a million listeners, most of them low-income. He had emerged covered with glory from that same program 15 days ago, in the wake of a trip to Pernambuco at the height of the hemodialysis scandal in Caruaru (Pernambuco State).

Rossi's career has been marked by a daring way of practicing politics. In the past, as mayor of Osasco, he circled the globe on behalf of that city. During his first term, from 1973 to 1977, he observed firsthand the activities of the city councilmen of Toronto, Canada and, backed by Osasco residents of Japanese descent, signed a cultural and sports exchange agreement with the city of Tsu, in Japan. During his second term, from 1989 to 1992, he signed similar agreements in Italy and Angola. In Europe, he re-established historical ties with the Italian city of Osasco, near Turin, the birthplace of Antonio Agu, founder of the *paulista* city of the same name.

In Africa, encouraged by the black community in Osasco, he forged formal ties with the Angolan city of Viena, in Luanda Province. "The agreement was cultural, but we were also working on trade agreements," Rossi recalls. "The resumption of hostilities in the civil war in Angola was the only reason the project did not work out."

Although keeping things in proportion in his current campaign, Rossi continues his globalizing forays. For six months now, he has had a home page on the Internet.

Chile

Chile: Cuba's Alarcon Attends Socialist Congress

PY0705021996 Madrid EFE in Spanish 2210 GMT 3 May 96

[FBIS Translated Text] Santiago, 3 May (EFE) — Ricardo Alarcon, president of the National Assembly of the People's Government [ANPP], said today in Santiago de Chile that we will see "who will resist longer," referring to the embargo imposed by the United States on Cuba, which was increased with the implementation of the Helms-Burton Law.

Alarcon, who arrived in Santiago on 2 May to participate as special guest in the 25th Chilean Socialist Party Congress, said that the embargo is a source of difficulties for Cuba, and that it is expressed in all aspects of the Cuban life.

He said that the U.S. embargo is "anachronistic and obsolete," and that it does not find any echo in Europe. As an example, he cited the fact that, on 1 May, Cuba and Germany signed an agreement to protect investments.

"That symbolically reflects the real situation. Germany is the driving force of Europe, and at a time when laws are being implemented seeking to forbid investments

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

in Cuba, it is sending a minister to Havana to sign an agreement," Alarcon said in remarks to the afternoon newspaper LA SEGUNDA.

He added that "for the wise these events should be sufficient," and added that despite the embargo, Cuba intends to keep increasing its economic growth.

In the political field, the ANPP president said that in his country government officials are changed "much more easily than anywhere else," even though no elective post is renewable, and besides, "there is the principle of rendering accounts."

When asked about Cuban President Fidel Castro's permanence as head of government, Alarcon said that "for a long time yet he will continue holding important posts" in Cuba.

On 7 April 1995, Chile and Cuba resumed diplomatic relations, which had been suspended in the wake of the overthrow of socialist President Salvador Allende by a Chilean military uprising on 11 September 1973.

In July 1991, after the first Ibero-American summit held in Guadalajara (Mexico), then Chilean President Patricio Aylwin and Castro agreed to resume ties between the two nations at the consular and commercial levels.

Chile: EU To Cooperate in Telecommunications Field

PY0605173696 Santiago ESTRATEGIA in Spanish 3 May 96 p 8

[FBIS Translated Text] Although trade liberalization is the most outstanding issue of the trade agreements Chile has or is negotiating these past years, in the case of the EU — aside from the political importance — one of the most important aspects is the one related to services.

This is the first time Chile includes services in an agreement and also the first time the Europeans broach this issue with a third country. Services, in fact, are not included in the agreement the EU signed with Mercosur [Common Market of the South].

The important thing about this is that as the Europeans liberalize their services — because most of them continue to be public monopolies — Chile will have privileged access to them.

It was agreed, within the framework agreement, to especially emphasize cooperation in the telecommunications sector. In view of the fact that the Chilean market is much more liberalized, in this case Chile will transfer its experience to the Europeans.

This information was disclosed by Jose Goni, Foreign Ministry coordinator for economic affairs with Europe, who said that regarding the rest of services Chile will rather receive cooperation.

He disclosed, for example, that one of the first cooperation programs to be implemented following the signing of the agreement will be in the customs office field. This project, in which Mercosur member countries will also participate, will try to make the South American and European custom services uniform.

This will simplify a series of procedures that will make trade more fluid and will help modernize the Chilean system.

Another case will be informatics, by which the Europeans will help the Chilean researchers use the so-called "information super highway." This will encourage the creation of software, which Chile has started exporting with great prospects for the future.

A third aspect of European cooperation will be in the postal field.

All these issues, as well as the commercial, will start to be implemented around the last quarter of the year, when the institutions created by the agreement are set up.

Chile: Daily Views Advantages of Trade Accord With EU

PY0605150496 Santiago EL MERCURIO in Spanish 3 May 96 p A3

[Editorial: "Agreement With the EU"]

[FBIS Translated Text] The framework cooperation agreement that Chile and the EU have just signed in Brussels has great diplomatic meaning. It is a broad agreement because it covers all aspects of bilateral relations and seeks nothing less than a political and economic partnership. However, in the concrete field of commercial liberalization with that great bloc of nations, its content could be regarded still insufficient.

Chile has a diversified trade, projected into three great areas: the Americas, Asia-Pacific, and Europe. Although trade with Europe — which amounts to 27.72 percent — is the smallest, it is extremely important for the economy of an exporter country. Our entry to the Asia-Pacific forum or APEC [Asia-Pacific Economic Cooperation] and the establishment of a schedule for the commercial liberalization within that agreement guarantees a growing chance of having access to that market. With the free trade agreement with Mexico, the progress made in negotiations with Mercosur [Common Market of the South] and Canada, and expectations regarding NAFTA, we have made considerable progress in the continent. Progress in our agreements with the EU

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

were necessary to reflect our policy of open regionalism and unrestricted free international trade.

The EU is a broader and stronger association of states than a mere trade agreement; it acquired this characteristic following the signing of the Maastricht Treaty that culminated a federative process that started with the original common market. Its supranationality is of a diplomatic and juridical nature, comprising common policies, the delegating of authority, and joint international actions. Therefore, our relationship with the European bloc should be interpreted within that context and not as mere commercial agreements. When the Latin American nations that comprise Mercosur signed a cooperation agreement with the EU, it became necessary, from the diplomatic viewpoint, to make similar progress regarding the framework agreement that links Chile with the EU since 1990.

The agreement signed contemplates a consultation process at a high level that will allow for a political dialogue. The Agreements Joint Council and other subordinate institutions are created for this purpose. The purpose of these consultations is a relationship at all levels, especially in the cooperation field that includes investments, services, joint projects, science, and technology.

Therefore, we are talking about a satisfactory agreement from the political and diplomatic viewpoint that opens chances and new paths in our relationship with one of the largest blocs in the world, to which we are linked by all sorts of ties.

However, there is a defect in the strictly commercial field. It is true that in this regard the agreement defines the liberalization objective and creates the necessary conditions to carry it out. However, it does not contemplate plans, schedules, and deadlines for this purpose. This planning has progressively marked the entire development of the EU, starting from the Steel and Coal Community until Maastricht, and its nonexistence cannot be merely casual this time. There is no doubt that the EU wants to consider the mutual commercial concessions, as a whole, with the broadest South American market as is obvious by the emphasis it places on the so-called "bridge" agreements with Mercosur, appropriately included in the agreement.

Chile: Senator Supports Approval of Glaciers Accord

PY0705035196 Santiago EL MERCURIO in Spanish 3 May 96 p C2

[FBIS Translated Excerpt] Valparaiso — National Renewal [RN] party Senator Sebastian Pinera has expressed his support for the approval of the Southern Glaciers agreement. He is thus one of the first center-right legislators to acknowledge his support for the 1991 treaty signed by former Chilean President Patricio Aylwin and Argentine President Carlos Menem with the intention of resolving the last Chilean-Argentine border dispute.

After stating that the approval of this agreement is preferable to submitting the issue to an arbitration court, Pinera explained that he will adopt a final and definitive decision on how he will vote only after visiting and inspecting the area in dispute, something which is still pending.

Almost all center-right legislators have expressed their opposition to the approval of this agreement because the polygonal line that has been charted is based on an Argentine map, since Chile lacks one of its own for that region. Moreover, people object to the fact that at one specific point of the polygonal line, Argentina is scarcely a few kilometers from the Pacific Ocean.

In view of the arbitration ruling that handed the Laguna del Desierto to the Argentines and the manner in which the two CPPD [Coalition of Parties for Democracy] administrations have handled the situation, the opposition majority in the Senate has been reluctant to expedite a discussion of the Southern Glaciers issue.

Moreover, the right has rejected the petition that President Frei made before the Argentine Congress a few days ago urging the Chilean and Argentine congresses to approve the treaty.

In view of this, Foreign Minister Jose Miguel Insulza yesterday advocated that Congress approve the accord by alluding to the fact that this agreement would be advantageous for Chile, considering the other alternatives available to resolve the dispute.

In view of this situation, Senator Pinera stated that he favors approval of the Southern Glaciers agreement. He said: "This is an extremely complex, delicate, and sensitive issue. It demands that both countries adopt prudent, judicious, and well-versed positions, putting aside all kinds of demagogic and exaggerated attitudes."

Pinera believes that the Aylwin-Menem agreement is "reasonably convenient" for Chilean interests because it grants Chile the possibility of having access to the Atlantic, which, according to Pinera, would be otherwise impossible to secure if the case was submitted to an arbitration ruling.

He added that when dealing with border issues, we must be extraordinarily prudent, realistic, and serious regarding our statements and decisions. He said: "We must realize that if this agreement is not approved, the

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

alternative options are not as favorable and convenient for Chile."

Pinera warned that if this agreement is not approved by the Argentine and Chilean congresses, the three alternatives are: a conciliation, maintaining the status quo, or an arbitration. [passage omitted]

Chile: Finance Minister Rejects Minimum Salary Increase

PY0605173796 Santiago EL MERCURIO in Spanish 3 May 96 p B1

[FBIS Translated Excerpt] Finance Minister Eduardo Aninat has said that the request to increase the minimum salary to 105,000 pesos made by the United Workers Confederation (CUT) will not be possible in the short term even though the CUT hopes the increase will be implemented within a reasonable time.

Aninat said that from 400,000 to 500,000 workers earn the minimum salary of 58,900 pesos but the government, as protector of public assets, must balance out the social projects with the anti- inflationary program.

Aninat added that for practical reasons the government was not able to meet with the CUT last month to discuss the minimum salary but that the unions and the country will be informed about the government's salary proposal to be submitted to Congress.

In the two presidential terms of the Coalition of Parties for Democracy, this is the first time that the minimum salary readjustment and the family subsidies are not discussed with the CUT and other labor organizations such as the National Association of Government Employees, and the municipal and teachers unions. [passage omitted]

Colombia

Colombia: Acting Attorney General on Valdivieso Inquiry

PA0605191896 Santa Fe de Bogota Radio Cadena Nacional in Spanish 1700 GMT 6 May 96

[Report by Reynel Beleno; from the "RCN Radio Events" newscast]

[FBIS Translated Text] Acting Attorney General Luis Eduardo Montoya Medina has said that Case 8000 will be resolved if all entities in charge of the investigations fulfill their missions. Leaving the Supreme Court building after meeting with Chief Justice Jose Roberto Herrera Vergara, Montoya Medina said he has legally assumed the attorney general's duties.

[Begin recording] [Montoya, in progress] ...it is for the deputy attorney general to determine. It will be made known at the proper time.

[Beleno] Do you insist on investigating the prosecutor general?

[Montoya] We will wait for a ruling that can clear things up.

[Beleno] Will there be a new deputy attorney general or will you take up those duties?

[Montoya] A replacement is being sought.

[Beleno] Are you afraid of the situation that has emerged in the country?

[Montoya] We believe the process in the country will be resolved if legal procedures are observed.

[Beleno] How do you view the situation of former Attorney General Dr. Orlando Vasquez Velasquez?

[Montoya] As part of the Attorney General's Office, I cannot speak on his behalf, because I declared myself disqualified. I hope the matter can be resolved. I deeply respect the personal and political life of Dr. Orlando Vasquez Velasquez. I am simply the person in charge here.

[Beleno] A communique that reached the Prosecutor General's Office said you insisted on investigating Prosecutor General Alfonso Valdivieso Sarmiento. Is that true?

[Montoya] There is no insistence. What happens is that a document was made known, which contained biased language about the actions the Attorney General's Office would take; therefore, the lawyer was simply told to be courteous so that [words indistinct].

[Beleno] Have the ethical norms been violated in this regard?

[Montoya] I cannot judge the ethical conduct of the lawyers. It is done by the Higher Judiciary Council. [end recording]

Colombia: Attorney General's Alleged Drug Ties Viewed

PA0705004796 Santa Fe de Bogota EL TIEMPO in Spanish 5 May 96

[Article by Nestor Cristancho: "The Strange Origin of a Fortune" — received via Internet]

[FBIS Translated Excerpt] The quick enrichment of Attorney General Orlando Vasquez Velasquez reportedly nearly six years ago, and, as of today, he has amassed a fortune of more than 1 billion pesos.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

What did start a long time ago are the relations Vasquez seems to have maintained with known drug traffickers or their aides. The Supreme Court of Justice, in its own time, and now the Prosecutor General's Office are investigating step by step the manner in which Vasquez acquired the fortune that he now owns, which justified an arrest warrant that will keep him in prison for at least six months.

The attorney general has told the investigators that he owns a few resources and has claimed to have more debts than assets. However, the evidence that the investigations have unearthed so far point to something else.

Until 1989, Vasquez was a powerful politician from Medellin who gained recognition for his knowledge of constitutional law. During the 1980's, he used to be seen leaving a modest house located in an El Estadio neighborhood in a 1979 Renault station wagon. But, where was Vasquez heading?

The Prosecutor General's Office is trying to establish the truthfulness of the evidence indicating that Vasquez used to visit the Napoles Hacienda, which became famous because its owner, Pablo Escobar.

The Medellin Cartel

Witnesses maintain that Luis Javier Castano Ochoa used to go to Escobar's hacienda on weekends, along with his lawyer, Vasquez. Castano, who is a personal friend of Vasquez's, according to what he admitted a few months ago, was a financial adviser and front man for the late Medellin Cartel leader.

Castano also advised Gustavo de Jesus Gaviria Rivero, and the former was the one who presumably introduced Vasquez as one of the politicians who had the strength to climb the public career ladder. This is how Vasquez's relations with Gaviria, Escobar's cousin and the Medellin Cartel's second leading man, reportedly started.

Evidence collected throughout the prosecutor general's investigation shows that the three friends — Gaviria, Castano, and Vasquez — always arrived together at political cocktail parties and social gatherings in Medellin.

According to depositions taken by the investigators in charge of the case, the attorney general admitted that he knew these people. The Prosecutor General's Office is investigating if Vasquez's political career started to change when he usurped the acts that slain congressman Arlen Uribe organized and for which Gaviria paid in their entirety, according to records found in Medellin.

In 1979, according to the investigations, Vasquez was the auditor of Medellin Public Enterprises, and Castano was his subordinate. Their friendship, however, was temporarily interrupted: Castano was arrested and sentenced to six years in prison by a U.S. judge who accused him of laundering drug-trafficking money.

When Vasquez was chosen attorney general, Castano chartered a plane for Medellin to Santa Fe de Bogota to take his relatives and friends to a celebration, which took place at a restaurant located in northern Santa Fe de Bogota. Witnesses affirmed that Castano was at Narino Palace during the ceremony in which Vasquez took office as head of the Attorney General's Office. [passage omitted]

Colombia: Minister on Suspension of Radio Station Decree

PA0705022396 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 3 May 96

[Telephone interview with Communications Minister Juan Manuel Turbay Marulanda by News Director Dario Arizmendi and Anchor Judith Sarmiento — live or recorded]

[FBIS Translated Text] [Arizmendi] How does the Communications Ministry receive the decision made by members of Section 1 of the Council of State, at the request of jurist [Manuel Urueta], to provisionally suspend all actions taken in accordance with Decree No. 1445, which authorized or was going to authorize the transfer of nearly 180 Fm radio frequencies and nearly 2,000 community and local radio stations? We are asking this question of Communications Minister Dr. Juan Manuel Turbay Marulanda. Good morning, minister. Yesterday the Council of State, in a decision that has naturally led to all types of comments among members of the media, among the bidders, and among those who had initially been favored with the right to opt for the FM and local and community radio stations, suspended that possibility because it has provisionally suspended Decree No. 1445. Good morning, minister.

[Turbay] Hello.

[Arizmendi] Dr. Turbay Marulanda.

[Turbay] Good morning, Dario.

[Arizmendi] How does the government receive the decision made by members of Section 1 of the Council of State to temporarily suspend Decree No. 1445, which was the framework for all actions taken in accordance with the provisions dictated by former Communications Minister Armando Benedetti?

[Turbay] Yes, Dario. We received it like we receive all other rulings, with great respect. Of course, it was the basic mechanism for the granting of commercial,

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

FM, local, and community radio stations as well as those of public interest. We were just about to authorize the granting [words indistinct] these community radio stations next week to the winners of the bidding process. We will, of course, have to postpone this process until a definitive decision is made in this regard. I repeat, this mechanism was the basis for the entire bidding process and for the entire regulatory system that had been established for the granting of community radio stations.

[Arizmendi] Is it a blow for the government, especially for former Communications Minister Armando Benedetti, who had turned this decree into the basis for his entire administration?

[Turbay] There was an interest in democratizing radio stations and there was an interest in getting communities to participate even more in radio programming. This instrument was supposed to be the support for the community radio stations of general interest. We will now have to wait because the decision adopted by the Council of State is a suspension of the decree until an in-depth decision is made. When I arrived at the ministry, lawsuits had already been filed against the decree. These were filed during the second half of 1995. I believe a lawsuit had been filed in December of last year and a ruling of this [word indistinct] vas one of the possibilities after the lawsuit had been filed.

[Sarmiento] The legal basis of the [words indistinct], at the request of (?Dr. Urueta), was due to the nonpublication of two important notebooks that contained information having to do with the bidding process. Was there an explanation by the previous administration of why it made the mistake of not publishing that fundamental part of the bidding process?

[Turbay] No, Judith, I do not know about the story of the notebooks or if the notebooks were included or not in the publication. I am going to go over the situation with the lawyers at the Communications Ministry today and we will abide by the determination of the Council of State.

[Sarmiento] An additional ingredient in the analysis we are making, Dr. Turbay: Could the state be sued by the bidders who showed up for the bidding process when it was the administration that ordered the provisional suspension?

[Turbay] We would have to study that, but for the time being we are only talking about a decision to only suspend the decree, meaning no definitive decision has been made in this regard. We would have to study the legal implications and the possible consequences of this legal decision.

[Arizmendi] Does the Communication Ministry plan to challenge the decision adopted by the Council of State?

[Turbay] As you know, Dario, I am prevented from doing so in the case of the commercial FM stations, but since the community stations are also involved in this, I have spoken very briefly with Development Minister Rodrigo Marin Bernal to study the decision made by the Council of State and determine what kind of action we can adopt in this regard.

[Arizmendi] What is going to happen with the pirate radio stations that were also planning to avail themselves of Decree 1445?

[Turbay] We always have tools to adopt the necessary decisions. These tools existed before the existence of the decree. The ministry has the instruments to make decisions on the clandestine radio stations that are not regulated.

[Arizmendi] Do you plan to hold another bid as a result of the provisional decree suspension ordered by the Council of State?

[Turbay] Dario, we are going to examine the suspension. Since the process was suspended, I believe we have to respect that decision, in principle, while an in-depth decision is made. The process has not been modified, it has only been suspended while an in-depth decision is made by the Council of State, but the ministry and the government have complementary tools that can allow them to face any other type of process.

[Arizmendi] In practice, the Council of State could perfectly well take two or three years to adopt an in-depth decision regarding this provisional suspension.

[Turbay] That is possible. The [word indistinct] was made in late 1995 and the decision was made six months later. It is possible that they will take a long time to make an in-depth decision. That is why we have to go over the powers that we have, so the government can conduct its normal operations based on existing legislation that has not been suspended.

Colombia: Venezuela To Propose Cross-Border Pursuit

PA0705032596 Santa Fe de Bogota Radio Cadena Nacional in Spanish 1450 GMT 6 May 96

[Report by Luis Alfredo Gomez; from the "RCN Radio Events" newscast]

[FBIS Translated Text] [Unidentified reporter] You are aware that the Venezuelan Government is thinking of again proposing to Colombia a renewal of hot pursuit

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

across the border, regardless of whether the borderline is crossed or not.

[Julio Nieto, reporter] It would be ideal if this were carried out by joint forces of the two countries.

[Unidentified reporter] Which has never been achieved.

[Nieto] Yes, which has never been achieved.

[Unidentified reporter] Very well, Luis Alfredo Gomez, what is being said in Caracas regarding this issue?

[Begin recording] [Gomez] In the upcoming meeting of the foreign relations ministers and defense ministers of Venezuela and Colombia, the Venezuelan delegation will again propose the issue of hot pursuit across the border. Venezuelan Foreign Minister Miguel Angel Burelli Rivas said that although this has not been established, the issue should be reconsidered as a valid way to confront guerrilla force actions along the Venezuelan-Colombian border. According to the Venezuelan Foreign Affairs Minister, hot pursuit exists in some countries, citing Chile and Argentina as examples. Burelli Rivas recalled that the origins of this thesis goes back to the U.S. prohibition law. Burelli Rivas said that the United States and Mexico applied the hot pursuit thesis when U.S. troops pursued Pancho Villa. According to the Venezuelan Foreign Minister, hot pursuit once also existed between Venezuela and Colombia.

[Burelli Rivas] Oddly enough, in 1860, in Venezuela, hot pursuit existed. During the Federal War, after the Battle of (?Cople), in which Venzuelan Conservative forces defeated the Liberal forces, the Liberal forces fled toward Colombia from (?Cople) they crossed the Arauca River. The then governor of Arauca allowed the [word indistinct] soldiers to pursue the Venezuelan Liberals into Colombian territory until they were forced to cross at another part of the river. And that is how hot pursuit was practiced. Of course, today, hot pursuit into Colombian territory does not exist, but it is [words indistinct] in the rest of the world.

[Gomez] Would hot pursuit be prudent?

[Burelli Rivas] Excuse me, I did not hear.

[Gomez] I said, would hot pursuit be prudent?

[Burrelli Rivas] It would be prudent [words indistinct], and possibly during the meeting, which has been postponed so many times by Colombia, which could take place in June, between the foreign relations ministers, defense ministers, governors, and the Border Commissions of the two nations, and which this time will include new participants: the coordinator of the Communications Media Coordinator for Venezuela, and the Communications Media Coordinator for Colombia, the issue could be discussed. [end recording]

Colombia: Search Bloc Arrests Peruvian Drug Figure

PA0505161996 Santa Fe de Bogota EL TIEMPO in Spanish 4 May 96

[Received via Internet]

[FBIS Translated Text] Cali — Search Bloc police units yesterday in Cali arrested Jover Tito Trujillo Cifuentes, alleged third-ranking man of the Peruvian drug trafficking ring. Trujillo Cifuentes is the third alleged Peruvian drug lord arrested in Colombia.

Search Bloc Commander Colonel Benjamin Nunez Nunez said that in the international drug trafficking network, the 27-year old Trujillo Cifuentes was in charge of the transportation of cocaine base for its processing in Colombia and further delivery to the United States through contacts in Mexico.

The authorities are trying to determine whether the alkaloid was processed in Cali or the Amazonas region. The police official said that the confiscated documents indicated a shipment of more than 70 kg of cocaine.

The Peruvian Interpol cooperated in the operation. Once it was determined that Trujillo Cifuentes was in Colombia, it began proceedings and sent the information for his extradition.

A Peruvian judge in Tarapoto issued an arrest warrant against Trujillo Cifuentes on 20 March 1995. Trujillo Cifuentes is also known as "Perro," "Flaco," and "Nissa."

On 29 March, Peruvian Interpol Chief Colonel Francisco Salinas Guerrero sent the extradition request.

Joselito Borbor Castillo, a 21-year old Peruvian was also arrested, but he has no pending arrest warrant.

"Both were arrested after more than one month of an intelligence and pursuit operation that began after receiving information from Interpol. Equipment for the tracking of phone calls and police units were used at the places he visited," said Nunez Nunez.

The operation took place at Santa Elena D25-34, number 14, in the south of Cali. They were not armed at the time of their arrest. Yesterday, they were put under the custody of the DAS [Administrative Department of Security], which will be in charge of arranging their transfer to Interpol.

Trujillo Cifuentes is the third alleged Peruvian drug cartel lord arrested in Colombia. In 1994, Demetrio Libonel Chavez Pena-Herrera also known as "El Vaticano," who was extradited to Peru, was also arrested in Cali.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Another arrest took place on 6 June 1995 in Bogota, where Abelardo Cachique Rivera also known as "Teniente" and "David" was arrested. Segundo Cachique, Abelardo's brother has a pending arrest warrant and Interpol is on his trail.

It was also revealed that Interpol is in Colombia looking for two Peruvian women accused of drug trafficking with pending arrest warrants.

Paraguay

Paraguay: Workers, Businessmen Summoned To Negotiate

PY0705032596 Asuncion RPC Television Network in Spanish 0000 GMT 6 May 96

[FBIS Translated Text] After the second general strike of the year, government, workers, and businessmen took their first step toward rapprochement today.

Paraguayan President Juan Carlos Wasmosy summoned the top union leaders, and displayed a radical change of attitude by inviting them to a new round of talks with the administration and businessmen, without Labor Minister Juan Manuel Morales, who is rumored to be on his way out.

[Begin recording] [Alan Flores, president of the United Workers Trade Union Federation, CUT] The salary issue is essential. Further negotiations based on keeping the salary hike at 10 percent, and only for those who make the minimum wage at that, is unlikely. The salary issue is very important....

[Eduardo Ojeda, president of the National Workers Federation, CNT] We are also concerned about the status of the Social Security Institute, which requires a solution as soon as possible. [end recording]

The union leaders want the 10 percent salary hike to be granted to all private sector workers, and they want another 10-percent hike to be negotiated.

The businessmen, in the meantime, announced that they will hold a meeting to define their position and will officially convey it to the executive branch. They did, however, display a very radical attitude.

After meeting with President Wasmosy the businessmen categorically stated that they will not negotiate with the union leaders under pressure, and blamed the latter for all the damages that the latest 48-hour strike has inflicted.

[Begin recording] [Arturo Jara Avelli, chairman of the Federation for Production, Industry, and Trade] We are not going to be the fattened calf served at the wedding between the administration and the workers. If the administration wants to go on with it, more power to it, and we will know what to do.

The way things stand now, the businessmen are united and unwilling to negotiate under duress. If they [the workers] give up attitudes such as threatening us with a 72-hour strike, and other things, then we can sit down and negotiation. We are not, however, about to start negotiating with a gun held to our heads. This time we have had enough, gentlemen.

[Jose I. Bobadilla, chairman of the Paraguayan Rural Association, ARP] We cannot do it. We cannot handle even this 10-percent hike. Don't they realize it?

[Unidentified reporter] What will happen if the administration unilaterally grants another 10-percent hike?

[Bobadilla] That is something else again. If that happens, we will study our options to defend ourselves. We will defend our interests. [end recording]

Paraguay: Germany's Kinkel Views Investment Prospects

PY0705004596 Asuncion ABC COLOR in Spanish 4 May 96 pp 9, 10

[FBIS Translated Excerpt] Klaus Kinkel, German vice chancellor and foreign minister, held a news conference at Government House after a meeting with President Juan Carlos Wasmosy yesterday afternoon. The discussion centered on two essential points: Possibilities for greater German investment in Paraguay and the country's democratic process.

Asked what did our country needed to do to attract more German investments, Kinkel said that German entrepreneurs demand three conditions: 1) Privatization, 2) legal or juridical security, and 3) respect for democratic institutions. With respect to the first point, Kinkel said that Paraguay must consequently privatize. Kinkel mentioned that there are German companies interested in investing in telecommunications and in the (Paraguayan-Brazilian) Itaipu Binational Hydroelectric Project.

With respect to legal security and democracy, Kinkel advised our country to make every effort to consolidate democratic institutions because companies from countries with market economies only go to nations where they can find legal security and where they do not risk their money senselessly.

Kinkel said that a free market system always entails the risk of losing one's money because of the work of competitors, but it would be unfair if one's losses were due to the lack of legal security. Kinkel said that besides judicial reform, Germans want strict respect for the law.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

The vice chancellor acknowledged that German investments in Paraguay "have not been considerable; we must say it frankly and clearly." He expressed the hope, however, that German investments in Paraguay will increase in the future. [passage omitted]

Kinkel Said That the Country Lacks Capital and Technology

Capital and technology are the two things Paraguay needs the most "for the country to be able to develop on its own," Klaus Kinkel said. He made these remarks during the news conference at Government House yesterday.

The vice chancellor said that Paraguay can offer raw materials, which, combined with capital and technology, can push the country onto the path of development. Kinkel said some German companies are interested in forming "joint ventures" with Paraguayan partners, particularly in the area of agricultural technology and general production technology. [passage omitted]

Paraguayan Foreign Minister Luis Maria Ramirez Boettner pointed out that during the 1990-95 period Paraguay received technical cooperation worth $62,420,615 and financial cooperation worth $63,734,733 from Germany. The foreign minister said that it is anticipated that German cooperation this year will total $10 million. [passage omitted]

Meeting With Justices

Klaus Kinkel also met yesterday with Supreme Court justices at the Justice Palace. Afterward, Justice Enrique Sosa said it was "a protocol meeting," and it was also held to discuss the implementation of a program involving magistrates visiting Germany.

Kinkel met for 40 minutes, from 1700 to 1740, with the justices. Later, sources close to the minister indicated that the meeting was held within the framework of a German Chancellery program of activities, as one of the EC influential members. [passage omitted]

The sources said that First World countries are interested, considering Paraguay's "geo-strategic" position, in the possibilities of this new market, adding that developing nations in Asia are in a similar "marketing" position. [passage omitted]

Kinkel said that EC members are interested in working for Latin American development through programs whose implementation will soon begin.

European powers see the Americas as a continent that has always lived under North American influence, which has contributed little or nothing to the cultural, technological, and economic development of the people, the source said.

German Chancellor Said Paraguay's International Image Has Improved

Klaus Kinkel stressed that Paraguay's international image has greatly improved with the successful end of the political crisis provoked by the insurrection of now retired General Lino Oviedo. The vice chancellor made these comments during the news conference at the Americas Hall of Government House.

"In 1989 Paraguay left its isolation and introduced democratic structures in the country. I must expressly outline that the test the country has gone through in the past few days has created a very positive impression in Europe and Germany," the German vice chancellor said.

Kinkel said that during his meeting with President Wasmosy and Foreign Minister Luis Maria Ramirez Boettner, he stressed that "we should not go back to structures" that are not democratic.

Kinkel stressed that the German Government, through him, expressed admiration to local authorities for the successful "handling" of the crisis that threatened Paraguayan democracy. Kinkel added that Germany and the world followed the development of the crisis in our country closely.

The vice chancellor said that his visit to Paraguay also had the purpose of expressing his government's support for President Wasmosy and his work seeking to consolidate democracy in the country. He insisted that "the way the situation (crisis) was handled benefited Paraguay's prestige in the world."

Kinkel's news conference centered mainly on economic issues. The foreign official stressed that the best way to entice investments is by providing "legal security," which is strengthened by consolidating the democratic system. Kinkel repeatedly emphasized that the market economy can exist only with a democratic political structure and that capital goes only where there is a state of law. [passage omitted]

Paraguay: Germany's Kinkel Speaks at Chamber of Commerce

PY0605205496 Asuncion ABC COLOR in Spanish 5 May 96 pp 18, 19

[FBIS Translated Excerpt] German Vice Chancellor Klaus Kinkel has stated that a reliable judicial branch is the key to an enhanced market economy and to the establishment of German capital. He made these remarks during a working breakfast with Paraguayan-German Chamber of Commerce members.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

During a working breakfast with German entrepreneurs established in our country, German Foreign Minister Klaus Kinkel expressed great concern over the feeble judicial system. He pledged to personally endeavor to send experts to enhance the judicial system in Paraguay.

Kinkel pointed out: "We have committed ourselves to support this sector, as a solid legal structure represents a basic condition for an enhanced market economy. Capital always seeks security and avoids risks in its search for profit."

Kinkel emphasized that, after meeting Supreme Court President Raul Sapena Brugada, he wants to promote contacts between the Paraguayan Supreme Court and the German Federal Constitutional Court. [passage omitted]

Kinkel recounted President Juan Carlos Wasmosy's remarks that Paraguay requires technical assistance to make better use of its macroeconomic conditions.

Kinkel noted: "I responded to this request positively. I pledged that, once I am back in Germany, I will find out if we can send experts as we did with some Central and East European countries. In Germany, for example, we can do a lot for small and medium-sized enterprises."

He added that, during his talks with the president of the Republic and the foreign minister, he noticed that Paraguay possesses very good macroeconomic conditions, abundant energy, a cheap labor force, and a free and open market.

Kinkel expressed concern over the transit of drugs through our country, drugs bound for the United States and Germany. [passage omitted]

Industry and Commerce Minister Ubaldo Scavone noted: "Regarding the drug issue, the United States describes Paraguay as a problem country, but the EU does not. Nevertheless, Paraguay must pay additional fees for the entry of textiles and clothes into the European market, whereas neighboring [as published] countries, like Peru and Bolivia, enjoy preferential tariffs."

The Paraguayan industry and commerce minister asked the German vice chancellor to intercede for the removal of these additional fees. Scavone described as unfair for Paraguay these payments.

Kinkel said: "I am not able to answer this question now. We must give a response later, but let me address the drug issue. Drugs also represent a threat for us and we are concerned that your country serves as a route for drug trafficking. This fact has not been admitted, but it remains a fact. We are concerned over this issue. We want to ask you to do your utmost to prevent the transit of drugs through your country, as it also represents a problem for our country."

Regarding the EU preferences for the Andean countries mentioned by Scavone, the German vice chancellor pointed out that, although these preferences do not apply to Paraguay, there will be enhanced free trade prospects through an agreement signed between the EU and Mercosur [Common Market of the South]. [passage omitted]

The German vice chancellor, who ended his official visit to our country yesterday, described his tour of our continent as a resounding success. [passage omitted]

Regarding Paraguay, Kinkel pointed out that if our country becomes attractive through its own efforts, investments will arrive. He admitted that our macroeconomic conditions are attractive.

Asked about the steps to be taken to enhance our relations with the EU, Kinkel expressed that Paraguay is related to the EU through Mercosur. He emphasized that, even though tariff and non-tariff barriers still exist, there are clear goals of enhancing the liberalization of trade through the framework agreement between EU and Mercosur.

Peru

Peru: Country's Investment Risk Rating Discussed

96SM0262A Lima PERU ECONOMICO in Spanish Mar 96 pp 1-3

[FBIS Translated Text] This edition of PERU ECONOMICO [PE] deals with the current perception of "Peru as an investment risk," by posing the questions that are most often asked concerning our country's progress.

Better Than Before, But....

According to the national risk assessment made by EUROMONEY in September 1995, Peru has improved its rating from 101st place in 1991 to 89th place, out of a total of 181 countries. Peru's risk rating, however, is high by comparison with the other countries of Latin America and is better only than the ratings for Bolivia, Honduras, and Cuba. EUROMONEY gives Peru a rating of 41.10 on a scale of 100 points.

Some investment bank managers and local entrepreneurs maintain that Peru's foundations are more secure than those of other Latin American countries and it should therefore receive a better rating. In the opinion of Oscar von Chrismar, general manager of the Santander Bank, Peru is a country that offers great opportunities for the short and long term, while Felipe Morris, vice

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

president of Interbanc, explains that the factors considered in this evaluation are very important in making a national risk analysis.

It is obvious that the risk of investing in Peru has decreased considerably by comparison with 1990, but the experts consulted by PE all believe there is still a long way to go in this respect. Jesus Zamora, manager of the investment banking department of the Credit Bank, explains that "although Peru's rating has improved sharply because of the decrease in the risk factors, our recent history is not helping us."

The Ugly Duckling

"In 1991, Peru was viewed as a disaster zone from which one should keep one's distance, and as an area unsuitable for investment," says Javier Tovar, who in his capacity as president of Cepri Telecommunications had the task of attracting private foreign investment to this sector of the economy. One of the main fears was political violence, and—unlike what is occurring today—few investment bankers "ventured to come to Lima." To this was added the history of the past two decades, which involved rates of growth that were either low or negative; high rates of inflation; delays in servicing the foreign debt; very little investment; and political instability. Moreover, the reliability of the Peruvian Government was suspect, and this made it significantly difficult to carry out the privatization processes that were initiated in 1991. "I still remember," Tovar recounts, "an incident that occurred when a New York lawyer was talking with us at an international forum in the United States on the subject of investment in the telecommunications sector. When he found out that we were Peruvians, he simply turned his back on us and immediately resumed his search for potential clients."

For his part, an executive of a British investment bank acknowledges that at the outset of the 1990's "it was very difficult to convince our superiors of the business prospects offered by Peru. Frankly," he adds, "we were not interested in Peru at that time." The risk was very high; moreover, there were more interesting alternatives in the region.

A break in this trend came with the capture of Abimael Guzman in September 1992, which decisively changed the perception of the risk of doing business in Peru. Another important milestone in this process was the auction of the telecommunications enterprises in February 1994, which featured the highest offer ever made for a telephone system in the history of the privatizations in Latin America.

The Aspects in Question

At the present time, the foreign investment banks are warning—in the informational memorandums they circulate among investors when offering Peruvian bonds for sale abroad—that there is no assurance that the stabilization program will be maintained or that it will continue to have positive effects on the economy. "These are cliches, however, that have to be included in these reports," says a local analyst. Paula Emmerich, an analyst of the Santander SAB [Banking Corporation], is aware that even in these times, foreign investors do not have complete confidence in the economic program. "They wonder if a problem similar to that of Mexico could occur here because of the problem of the current account deficit," she says, adding that "the foreign investor is also concerned about the cooling down of the economy."

The Salomon Brothers investment bank believes that the challenges facing Peru's current macroeconomic policy are the payments on the debt; the negotiations with the Paris Club; the management of the current account deficit; and the need to control public spending and maintain the downward trend in the inflation rate by implementing a restrictive monetary policy. "Despite the fact that the government must still cope with many challenges in order to achieve sustained growth over the medium term," the bank's report states, "we believe it has the will and the ability to do so successfully."

In the opinion of Alberto Pasco-Font, a researcher of Grade [Andean Development Group], one of the principal factors influencing a nation's investment risk rating is its macroeconomic stability both past and present. "Foreign investors," he explains, "do not invest immediately after a policy adjustment is made or when the rate of inflation has been low for only one year. Instead, they will wait until stability is a demonstrated fact and its consolidation can be anticipated." Bruno Seminario, researcher for the University of the Pacific, adds that an adequate measurement of a nation's risk factor is dependent on high-quality economic information, which is not always available.

Another essential factor in determining a nation's risk rating is based on the political aspects. One often-repeated question in this connection is: "Will the system work without Fujimori?" Jesus Zamora explains that "foreign investors currently perceive the political situation to be the principal risk, because they believe that for the present, the overall economic risk can be controlled."

For his part, Seminario explains that the perception of a country's risk rating depends to a great extent on the type of investor. "The considerations that are

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

important to a speculator," he says, "are quite different from those that matter to a long-term investor who is associated with direct foreign investment (IED) and probably views the legal and political stability of a country as a more important consideration." Emmerich explains that speculative investors who trade on the BVL [stock exchange] "are very pragmatic: so long as the economic factor is favorable, no problems arise."

[Box, p 2]

Is Peru's Economy Different From the Other Economies of the Region?

The Mexican crisis that was triggered on 20 December 1994 by the sudden devaluation of that country's peso produced the so-called tequila effect, which translated into a massive flight of capital in the principal Latin American economies and the resultant crisis of financial confidence in the region. In this context, many investors are wondering: To what extent can a crisis in another Latin American country have a negative impact on Peru? Is the Peruvian economy different from other economies of the region as a target for investment?

Ricardo Revoredo, director of economic studies for Argos SAB, believes that foreign investors do indeed differentiate Peru's economy from other economies of the region. "This," he explains, "is because the investment capital that enters our country—in the form of portfolio investment as well as direct investment—is certified investment' made primarily by institutional investors who decide to enter a country only after having satisfied a number of prerequisites in terms of information and analysis of the political, economic, and even social situations of the target country."

For his part, Luis Felipe Arizmendi, general manager of Credifondo, states that although the distinction made by foreign investors between the Peruvian economy and the region as a whole has improved significantly in the past two years, there is still no total and decisive differentiation. According to Arizmendi, investment decisions continue to be global in nature: if an investment fund, for example, decides to reduce its overall stake in Latin America, all the Latin American countries that are in its portfolio will share in the reduction.

In the view of Michael Ellis, the principal analyst at IBCA [expansion not given], "the extent to which a country is differentiated increases in direct proportion to the number of years its economy remains stable. The present economic model," he says, "must therefore remain in place for many years in order to achieve an improvement in Peru's rating and an increase in the degree of differentiation of its economy from the rest of the region." He explains that among the factors contributing to differentiate an economy from the other economies of the region are its political situation, its economic stability, the structure of its foreign debt, the evolution of its fiscal accounts, and its foreign exchange policy.

According to Ricardo Revoredo, however, "a crisis in any single country of the region that causes a significant decline in its capitalization on the stock market will in turn cause Peru to be relatively overweight' [preceding word in English], and—without anything bad having occurred—fund managers will be almost compelled to sell some of their positions in Peru." For his part, Juan Miguel Bakula, manager of Argenta SAB and director of the BVL, maintains that this type of risk derives from the fact that the economies of the world are increasingly interdependent. He notes, for example, that "Peru was impacted by the tequila effect to a relatively small extent, and in the event of a crisis in Argentina it is probable that Brazil will be the country most affected, because of the heavy flow of trade between those two countries."

Peru: Possibility of Economic Policy Change Examined

96SM0262B Lima PERU ECONOMICO in Spanish Mar 96 pp 3-5

[FBIS Translated Text]

A Change Is Unlikely

Until a few months ago there appeared to be little possibility of any significant change in economic policy, despite the obvious slowdown in the implementation of the government's structural reforms. Now, however, the impression is growing that some changes may result from the confluence of several events, although this still seems unlikely.

In the first place, a negative trend exists in a number of economic indicators that are linked to inflation, production, the current account in the balance of payments, and so forth. There is also the letter in which IMF Managing Director Michel Camdessus reveals his concern about Peru's economic progress and the disagreements inside the government with respect to the direction that Peruvian economic policy should take. The culminating point that gave evidence of this confrontation was the speech that Minister of Economy and Finance Jorge Camet made in Arequipa in which he seemed to be addressing his colleagues in the government rather than the other participants in the economy.

In his address Camet said that "hidden behind so-called refinements in the program' an attempt is being made to reverse the policies that have done so much good

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

for Peru, in order to readopt other policies that in the past plunged our country into the worst crisis in its history." Camet concluded his speech by noting that "we are today facing a dilemma.... Either we succumb to doubt and distrust and return to policies that have already failed in Peru, or we intensify our program in order to attain the goal of the genuine modernization of our country."

At the same time, there has been an increase in the pressure from certain sectors of the business community that are demanding a response to various problems they face in their respective sectors. "Although this is normal," a source close to the economic team says, "the problem is that some members of the government believe they are right and are disregarding the pillars of the economic program that have brought major change to our country. In his defense of the program," this source insists, "Camet stands increasingly alone in the government."

This same individual further states that in contrast to the situation that prevailed between 1991 and 1993, when much of the impetus behind the reforms was due to the support of a united cabinet—and in particular Carlos Bolona, Jaime Yoshiyama, and Alfonso de los Heros—today we discern the existence of a split within the cabinet accompanied by some confusion, with several factions confronting each other and a heightened presence of the MEF [Ministry of Economy and Finance] and the Ministry of Agriculture. Whereas Agriculture Minister Absalon Vasquez points out that modernization is already a reality in his sector—with modernization understood as an increase in the living standards of the agricultural population resulting from the increase in its production and productivity (see February issue of PE)—the MEF believes this is the sector in which the reforms are the farthest behind schedule, so that it is essential to create the conditions that will attract private investment and encourage job creation. The creation of a vigorous agricultural real estate market, and the establishment of real titles to natural resources such as forest properties and water resources, are viewed as priority goals.

"There is an impression among many officials of the Executive Branch that sufficient progress has been made to date in the reform program, inasmuch as implementation of the structural reforms is a continuing, day-to-day task," an official of the economic team says. This impression was corroborated by Economy and Finance Minister Camet himself in Arequipa when he pointed out that "we are halfway along the road we are traveling, at a point where voices of doubt and distrust are usually heard."

Public opinion is another sector where ground has been lost with respect to the economic program and the progress of the reforms. For example, because of the uncertainty generated in recent months, approval of the economic policy dropped 20 percentage points in the Apoyo surveys between December 1995 (59 percent approval) and March 1996 (39 percent), with the sharpest decline (of 10 points) coming between February and March. Privatization—which is perceived to be the most visible of the structural reforms—has also lost popular approval, dropping to only 36 percent in February. There has also been a change in expectations concerning the future evolution of the economic situation of households, so that today only 33 percent expect an improvement next year compared to 59 percent in May 1995.

In the Region

These problems of perception, moreover, are occurring in a regional context in which the evolution of the free-market reforms of the past decade—especially in countries like Mexico and Argentina—is viewed with some dismay. The arguments at the local level that tend to favor a change in the economic program are motivated by the perceived risk of a sudden crisis such as the one that occurred in Mexico in December 1994—the so-called tequila effect—that has made the analysts of the region nervous. Businessmen and government officials who maintain contact with foreign investors agree that the first question asked is always whether something similar to the Mexican situation could occur in Peru. "It is a question that has to be answered with precision, because the cases are markedly different," an analyst told us.

In Mexico, the stabilization program carried out immediately following the devaluation crisis does not yet seem to have been consolidated. The government's commitment to let its currency float on the foreign exchange market, balance its fiscal accounts, and maintain a restrictive monetary policy for 1996 appears to have been broken by this year's budget, in which an expansive fiscal policy is implicitly assumed. In Argentina, the crisis caused by the tequila effect has given rise to a severe recession and made the financial markets very nervous, which in turn has led to a political crisis and focused attention on Economy Minister Domingo Cavallo. All this is taking place in a context of forecasts of a year of reduced economic activity. In Brazil, the Henrique Cardoso administration has adopted a series of measures designed to establish a new order in the economy, but their implementation has been delayed by the complex process for approving the requisite constitutional amendments. Because of the deterioration of the fiscal

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

accounts as the result of inefficient public management, any increase in financial resources depends on an increase in tax revenues, which in turn is contingent on the tax reform contained in the proposed constitutional reform package.

As a result of all these factors, "any indication of a lack of coherence in the Peruvian economic program is interpreted very unfavorably abroad and elicits immediate negative reactions," one analyst told us. "It would be absurd," Camet said in his recent speech, "if after the region had weathered the most critical moments of risk, we Peruvians were to generate a lack of confidence in our own program and thereby restrict the flow of investment capital that is essential for our development."

Nevertheless, any real possibility of a sudden change in the Peruvian economic program appears to be slight. In the first place—as President Alberto Fujimori himself emphasized recently in denying the rumors that Camet would be replaced as minister of Economy and Finance—the government intends to continue the program but to introduce several changes that the president calls "refinements" but that Camet would rather describe as "perfecting." This decision-making process is also helped by the fact that this is not an election year—a circumstance that certainly gives the government more room to maneuver. Lastly, it should be emphasized that contrary to some accounts published during the past few weeks, the government has no alternative to the existing economic program but is concerned about the performance of certain principal indicators. "It might be very helpful if the members of the cabinet would talk to each other more," a high government official said.

Peru: Experts Discuss Decline of Terrorism

96SM0262C Lima PERU ECONOMICO in Spanish Mar 96 pp 4-5

[Unattributed article: "Has Terrorism Ended?"]

[FBIS Translated Text] The experts consulted by PE [PERU ECONOMICO] agree that although Shining Path (SL) and the Tupac Amaru Revolutionary Movement (MRTA) have been defeated as subversive movements, their defeat will not translate into the immediate disappearance of terrorism.

"There has been a substantial change in the SL as it was constituted until 1992, and in the MRTA as it was constituted until shortly before this year," says Enrique Obando, a military security expert. Obando explains, however, that "an unpleasant surprise can occur at any time. For example," he says, "when the MRTA was supposed to have been deactivated, an open battle broke out at La Molina. As for the SL, it is still active, although it has been committing only isolated terrorist acts; and despite the announcement of his capture some time ago, Feliciano' remains at large."

For his part, the expert Carlos Tapia believes that both movements are passing through a period of "strategic positioning of disintegrated forces," because according as new subversive acts take place, their ability to reconstitute their forces as well as their popular support is diminished proportionately. He explains that the SL and MRTA are "no longer interested in winning power but rather in causing disturbances."

What remains of the SL is divided into two factions: "Feliciano's" group—which is limited to the forested ridge overlooking the basins of the Huallaga and Ene rivers—and Abimael Guzman's group, which has chosen a "salvation strategy" for the party that has brought a halt to the guerrilla warfare. "It is difficult to know if the SL is going to disappear," Obando maintains. For his part, Tapia suggests that this division within the SL could be fictitious, inasmuch as "the interests of both groups are rather convergent, because action by Feliciano' improves Guzman's ability to negotiate with the government."

Obando insists that "Feliciano's" faction is continuing to carry out terrorist actions and should therefore be defeated. "The fact that it has only a small number of followers would permit its complete deactivation within a couple of years," he says. "Abimael's group," he says, "is more dangerous over the long term," explaining that it has put aside military action and "has decided to move toward the newer settlements in Lima Department—for example, those in the Canto Grande highlands—in order to engage in political action in support of the demands of the local population for water, health care, and food." This group, Obando explains, is attempting to strengthen its forces, win new followers, and resume its subversive activities, whether political or terrorist. For this reason, he says, "it will be invisible for the next five or six years." The experts tell us, however, that they do not believe the strategy of the Guzman faction will produce results after 15 years of terrorism—a phenomenon that has clearly been rejected by the population. As for the MRTA, the experts told us that they give it less chance to recover than the SL. "Because its strategy was more frontal—more of the guerrilla type—it received more severe blows than the SL," Obando says, adding that the capture of the La Molina arsenal—for the purpose of enabling the MRTA to carry out an armed raid on the Congress of the Republic—is proof that the group has not yet changed its strategy. Tapia points out, however, that the MRTA still has combat forces in Villa Rica (Oxapampa) and in Chanchamayo.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Peru: Country's Growth Potential Discussed

96SM0262D Lima PERU ECONOMICO in Spanish Mar 96 pp 5-6

[Unattributed article: "Does Peru Have Solid Prospects for Growth?"]

[FBIS Translated Text]

Opinions Differ

The prospects for economic growth are one of the principal factors that potential investors, multilateral organizations, investment banks, and financial institutions that specialize in international credit analyze when they establish a country's investment risk rating. When a nation's economic growth is analyzed for the purpose of assigning that nation an investment risk rating, what is evaluated is not so much the magnitude of the growth as its sufficiency and sustainability.

According to the analysis made by Standard & Poor's, "adequate" economic growth is associated with a broad spectrum of economic and social objectives. The composition of the growth receives the most emphasis, most notably the contribution made by investment and exports. Similarly, growth is "sustainable" if the economy is able to maintain its expansion without generating excessive inflation, foreign deficits, an accumulation of foreign debt, and other forms of economic tension. Can it be said that Peru is in a situation such as the one described?

What Are the Projections?

An initial effort to understand what lies behind the perception that the foreign investment banks have concerning the Peruvian economy is based on their macroeconomic projections, which in turn are based on what these banks call the "fundamentals." For example, the British Flemings Bank states in its initial report on Peru—published in late January—that the dramatic drop in the GDP recorded in the past five months is not a normal cyclical deceleration but rather a "carefully premeditated effort" to attack the balance of payments problem. These banks also maintain that given the fact that a part of the economic deceleration in the first half of the year will be only a statistical result—because the deceleration is being compared to the growth recorded in the corresponding period of 1995—then in order for the growth rate of the GDP to be between 4 and 5 percent in 1996, Peru would have to record an expansion of 6 or 7 percent in the second half of the year.

In the opinion of the Salomon Brothers analysts, the restrictive monetary and fiscal policies will limit the prospects for growth this year. A "rebound" in economic activity will materialize in the second quaarter of the year only in the measure that expansion takes place in the capacity of dynamic sectors such as mining. In this connection, Alberto Pasco-Font, a researcher for Grade [Andean Development Group], says that despite the great improvement over the situation of five years ago, foreign investors have gravitated toward sectors that can be "hedged"—such as mining and fishing—in which Peru offers comparative advantages, or they have invested in captive sectors such as telecommunications and electric power. "The most difficult thing," he explains, "is to be able to count on investment in industrial sectors that supply the domestic market, because these sectors do not appear to be attractive for investors. So long as Peru does not generate investment of this type," he says, "our economic growth will not be sustainable and we will be vulnerable to external shocks [preceding word in English]."

Where Are We Going?

"The foundations for long-term sustained growth have been laid," says Julio Velarde, former director of the BCR [Central Reserve Bank]. In his opinion, our economic system is quite open; investors have a positive perception of the existing institutional framework; and our labor force is qualified to work. There should accordingly be no reason not to grow. "The Chileans, for example, take the growth factor very much into account when they decide to invest in Peru," Velarde says, "and they are sure that we will have sustained growth."

However, the recession that many sectors of the economy are believed to be experiencing could become a warning signal despite these optimistic perspectives. "It appears," Pasco-Font explains, "that the economy was not so heated that it could not be cooled. What happened was a problem with the balance of payments." According to his analysis, the government took the external deficit to be a problem of heating the economy, but that is only one indicator of this phenomenon. Another contributing factor could have been an inflation in assets that cannot be hedged, but this did not occur. "The government did well to correct the fiscal imbalance," Pasco-Font explains, "but it was very restrictive in managing monetary policy, and that is precisely what led to an adjustment in the private sector." What is most likely, therefore, is that during the first quarter of the year we will continue to pay the price for this deceleration, until we encounter a turning point in the middle of the year that will permit a positive rate of growth of the economy.

"The current period of deceleration in economic growth—which began during the third quarter of last year—appears to have marked a pause in the consolidation process rather than the beginning of a new

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

downturn," the JP Morgan research team maintains. The Flemings report also comments. "We believe," it says, "that Peru's insurance policy is to be found in the quality of its political and macroeconomic leadership. Moreover, Peru's macroenomic statistics are among the most clear and straightforward in Latin America, and investors can easily monitor the nation's heartbeat."

Venezuela

Venezuela: Colombian Guerrillas Attack Venezuelan Post

PA0605224596 Madrid EFE in Spanish 1425 GMT 6 May 96

[FBIS Translated Text] Caracas, 6 May (EFE) — Military sources announced today that Colombian guerrillas on 2 May attacked once again the Venezuelan Carabobo military post, where Colombian guerrillas killed eight soldiers in February 1995.

Venezuelan Vice Admiral Jesus Briceno, Navy general commander, confirmed that a group of irregulars fired against the Carabobo post, located on the border between the two countries. The guards returned the fire.

The military chief said he spoke today with Colombian Vice Admiral Roberto Serrano Avila, who is responsible for the Armed Forces in the Carabobo border area, and "urged him to take the necessary measures to end these problems."

The Venezuelan vice admiral explained that following an exchange of fire that lasted about 15 minutes, the guerrillas drew back toward Colombian territory. He added that the incident concluded without casualties or property damage of any importance.

The second attack on Carabobo in the last 15 months took place days after Revolutionary Armed Forces of Colombia (FARC) guerrillas announced their intention to hold talks with the Venezuelan Government to "guarantee peace" in border areas.

The Caracas government did not reply to the guerrillas' invitation to dialogue, and official sources have even said that "under no circumstances will a discussion with bandits be accepted."

In 1995, and to a great measure due to the death of the eight soldiers in Carabobo, relations between Venezuela and Colombia turned sour and went through difficult times.

Following the attack, Venezuela mobilized thousands of soldiers along their border and demanded a similar action by Colombia. Venezuela accused Colombia of not exercising proper observation in the border region and thus making actions easier for the guerrillas and drug traffickers.

These differences made it necessary for the Venezuelan and Colombian foreign ministers, Miguel Angel Burelli and Rodrigo Pardo, to meet. Pardo has promised that the Colombian Army would keep guerrilla border operations in check.

Nevertheless, since the first attack on Carabobo, both guerrillas and drug traffickers continued their actions in the zone, and at least four Venezuelan soldiers have been killed in clashes with Colombian irregulars since then.

The repeated incidents were constantly denounced by Venezuela. According to Burelli, throughout 1995 he sent to Santa Fe de Bogota "a symphony of diplomatic notes" without obtaining a reinforced Colombian military presence in the zone.

Venezuela: Minister 'Unaware' of Colombian Border Steps

PA0605183096 Caracas Venezolana de Television Network in Spanish 1530 GMT 3 May 96

[FBIS Translated Text] Defense Minister Moises Orozco Graterol has said he is unaware of the curfew that the Colombian Government ordered in some municipalities of Colombia.

[Begin recording] [Reporter Fernando Porte] The news came out after Colombian Ambassador to Venezuela Guillermo Gonzalez Mosquera announced his government's decision to adopt a series of special measures, such as restricting circulation and ordering a curfew in the areas bordering Venezuela, specifically in the northern region of Santander Department. The purpose of this decision is to fight crime in areas along the border of the two countries.

[Orozco] I am not aware of any measure of that kind. With regard to the border, we have ordered the suspension of guarantees and special measures. As to whether I am aware of any measure by the Colombian Government, I can say that I do not know of any such measure to date.

[Unidentified reporter] You have not been informed.

[Orozco] I have not been informed.

[Porte] The defense minister reiterated that the Armed Forces are not confined to barracks but admitted that the damage done to private property was extensive in the recent disturbances in Cabimas, Zulia State. [end recording]

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Venezuela: Foreign Minister on Colombia's Border Curfew

PA0605220296 Caracas Venezolana de Television Network in Spanish 0230 GMT 4 May 96

[FBIS Translated Text] Foreign Affairs Minister Miguel Angel Burelli Rivas said it was positive for Colombia to establish a curfew throughout the Colombian-Venezuelan border, thus taking over its responsibility to guard this boundary.

Colombia does not have nearly half as many border checkpoints as Venezuela does. This lack of surveillance is the basic reason for the constant harassment of Venezuelan Armed Forces by the Colombian guerrillas.

According to the foreign affairs minister, the curfew that our neighboring nation might establish will not solve this problem, but this will somehow alleviate it.

[Begin Burelli recording] We welcome any measure that might help to normalize the situation on that side in order to prevent guerrillas, criminals, and drug traffickers from constantly attacking and harassing Venezuela. [end recording]

Regarding Brazil's proposal to distribute and sell natural gas, the minister said the nonrenewability of this natural resource and the resulting environmental destruction of the Amazon jungle annihilate this possibility even before it begins.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

BULK RATE
U.S. POSTAGE
PAID
PERMIT NO. 352
MERRIFIELD, VA.

This is a U.S. Government publication produced by the Foreign Broadcast Information Service (FBIS). Its contents in no way represent the policies, views, or attitudes of the U.S. Government.

FBIS collects, translates, disseminates, and analyzes foreign open-source information on behalf of the U.S. Government. Its publications may contain copyrighted material. ***Copying and dissemination is prohibited without permission of the copyright owners.***

— Bracketed indicators before the first sentence of each item describe the way in which the material was processed by FBIS.

— Headlines and all bracketed explanatory notes are supplied by FBIS.

— Personal and place names are rendered in accordance with the decisions of the U.S. Board on Geographic Names as adapted by FBIS. Unverified names in radio and television material appear in parentheses and are spelled phonetically; words and phrases in parentheses preceded by a question mark are unclear in the original and deduced from context.

SUBSCRIPTION INFORMATION

U.S. Government Customers

For a list of FBIS products, to subscribe to an FBIS publication, or to indicate a change of address contact:

FBIS
P.O. Box 2604
Washington, DC 20013-2604
Telephone: (202) 338-6735
FAX: (703) 733-6042

Non-Government Customers

Subscriptions are available from the National Technical Information Service:

NTIS
5285 Port Royal Road
Springfield, VA 22161
Telephone: (703) 487-4630
FAX: (703) 321-8547

New subscribers should expect a 30-day delay in receipt of the first issue.